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This book is respectfully dedicated to  
The Chairman and Members of THE  
NATIONAL FOREIGN TRADE COUNCIL  
and to The Officers and Members of  
THE AMERICAN MANUFACTURERS EX-  
PORT ASSOCIATION in recognition of  
the admirable work done by both  
these organizations in promoting our  
foreign trade.

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## PREFACE

Assuming that an educational book is authoritative and that its author by training, experience, and study is qualified to instruct or is entitled to express his opinions, the value of the book then depends upon its timeliness and the thoroughness with which it discusses or teaches the particular subject matter.

Regarding the timeliness of this book, little need be said. The growing interest in foreign trade among even the smaller manufacturers and producers of the United States is largely the natural effect of two causes: first, the unprecedented demands of the war which led to an increase of facilities to fill these demands; and second, now that the war is over, the necessity of finding outlets for the increased production brought about by the creation of these facilities.

The author recognizes the possibility of the criticism that much of his advice on the conduct of foreign trade is too "ideal" in its tone, and that to carry out all the plans and suggestions in the ideal way outlined here is impracticable for the business with limited resources. This is perfectly true. In the smaller business, the "rule of thumb" method must of necessity obtain and the existing mechanism be expanded with but little special preparation to embrace the foreign exploitation. Nevertheless, it is always well to have a model, according to which action should be adjusted as nearly as possible.

It may also be said that the aim of the book is not primarily to teach the exporter how to sell abroad his particular goods. This he can readily learn after he has mastered the general principles and grasped the mechanism of the subject, adopting so far as applicable the same methods abroad that have proved successful at home.

The primary aim of the book is to set forth those general principles which underlie the building up of foreign trade, not merely of such trade as is a convenient outlet for a few superfluous home products, but as a part of a permanent and national foreign trade policy. It should not be understood from this that practical details are entirely omitted.

The volume is not a "how book," but nevertheless a considerable portion of it is devoted to a description of the mechanism used in the handling of imports and exports. Every care has been taken to indicate the source whence the information which the exporter is likely to require may be derived. Given this information and also knowledge of the essential mechanism and of fundamental principles, the exporter is then equipped to make profitable use abroad of the executive and sales ability which has brought him success at home.

There is no mystery and little intricacy attached to the methods of foreign trade development. Human nature is much the same the world over. Human needs can be developed anywhere by sound salesmanship and proper advertising. The Chinese can as readily be "educated" to the advantages of cash registers as the Japanese to the superiority of the automatic screw machine; and doubtless many a perspiring Hottentot swears by the special features of American agricultural machinery when he becomes acquainted with the ease and comfort of a National Harvester "sitting" plow. The biggest exporting firms in the world are the pre-eminently successful American concerns. Distinctive American goods, from raw steel to typewriters, are sold the world over by distinctively American selling methods.

Methods, of course, must when necessary be adapted to idiosyncrasy and circumstance. But given a knowledge of, or the right point of view on, the fundamental matters discussed in this book, there should then be no difficulty in adapting means to the ends desired. Possibly the point of view

or the opinion of the author will not always coincide with that of the reader. If so, all that the writer can state is that his opinion has been formed after fifteen years of experience as an international salesman and sales investigator and as counsel for consulates and international traders.

The author wishes to express his warm appreciation of the many suggestions and criticisms which have helped so materially in the preparation of the present volume. He especially wishes to extend his thanks to Frank G. Conway of Street and Finney; Frederick Nash of the General Chemical Company; Alba B. Johnson, formerly with the Baldwin Locomotive Works; James H. Carter of the National City Bank; Harry A. Wheeler, President of United States Chamber of Commerce; and to the Guaranty Trust Company and the Discount Corporation, both of New York City.

In conclusion, it may not be improper to observe that nations as well as individuals need special knowledge in order to gain and retain foreign trade. If America is to retain even her relative position in international commerce she must continually add to her present knowledge of foreign trade, and to the methods by which it is conducted. The author hopes that in some small measure this volume may contribute to this end.

NORBERT SAVAY.

New York City,  
May 8, 1919.





# CONTENTS

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## Part I—General Considerations

CHAPTER		PAGE
I	THE OPPORTUNITIES OF FOREIGN TRADE . . . .	3
	Advantages of Foreign Trade	
	Requisites to Success	
	Foreign Trade as a Career	
	Foreign Trade and National Welfare	
	The New Spirit of Foreign Trade	
II	SIX FUNDAMENTALS OF FOREIGN TRADE . . . .	8
	Fundamental Factors	
	Capital	
	Information	
	Method of Distribution	
	Organization	
	The Terms of Sale	
	Miscellaneous Export Policies	
III	FOREIGN TRADE STRATEGY AND ITS ESSENTIALS . .	15
	Strategy in Foreign Trade	
	Definite Study Essential	
	The Collection of Information	
	Investigation on the Spot	
	What May Be Learned at Home	
	Study of the Psychology and the Structure of the Market	
	Charting the Results of Investigation	
	The Formulation of Plans	
	Recapitulation	
IV	SOURCES OF FOREIGN TRADE INFORMATION . . . .	23
	Statistical Information	
	Defects of Governmental Statistics	
	Miscellaneous Sources of Information	
	• Consular Information	
	Trade Discussions	
	Governmental Trade Investigation	
	Trade Representatives' Investigations	
	Miscellaneous Printed Matter	
	Original Information	

CHAPTER		PAGE
V	DEMAND AND SUPPLY IN THE FOREIGN MARKET . . .	29
	The Principles of Demand	
	Tests of Demand	
	Quantitative Tests	
	Qualitative Tests	
	Potential Demand	
	How to Study Demand	
	The Relation of Demand and Supply	
	Tests of Supply	
	Overproduction	
	Domestic Supply	
	Foreign Supply	
	Price and Quality	
	Conclusion	
VI	THE PSYCHOLOGY OF THE FOREIGN MARKET . . .	39
	Basic Principles	
	Commodities Pay for Commodities	
	Commerce Rests Upon Comparative Needs and Supplies	
	Conditions of Society Determine Status of Market	
	Structure of the Market	
	Psychology of the Market	
	Reciprocity Significant	
	Civilizing Influences of International Trade	
VII	THE STATUS OF THE FOREIGN MARKET . . .	46
	Knowledge of General Conditions	
	The Political Status	
	The Governmental Status	
	The Legal Status	
	The Economic Status	
	The Financial Status	
	The Social Status	
	The Commercial Status	
VIII	PRINCIPLES OF INTERNATIONAL DISTRIBUTION . . .	54
	Factors of Distribution	
	Distribution and Trade Channels	
	Intermediaries in Foreign Trade	
	Fixing the Price	
	Comparative Costs	
	Dumping	
	Distribution and Credit	
	Distribution and Prices	
	Maximum and Minimum Efforts in Distribution	
	Mistaken Methods of Distribution	
	Acquaintance an Element in Distribution	

## CONTENTS

xi

CHAPTER		PAGE
IX	THE BEST MARKETS FOR THE AMERICAN EXPORTER .	64
	Trade Centers	
	London	
	Paris	
	"New" Markets	
	China	
	Russia	
	Latin America	
	Special Lines of Effort	
	General Conclusions	
X	THE COMMERCIAL POLICIES OF WORLD POWERS . .	70
	The Development of Economic Thought	
	The Ancient World	
	Mercantilism	
	Eighteenth Century Laissez-Faire	
	Nineteenth Century Protectionism	
	Special Policies of World Powers	
	Protective Tariff Systems	
	Navigation Laws	
	Devices for Promoting Foreign Trade	
	General Policies of World Powers	
	United States	
	Great Britain	
	Germany	
	France	
	Other Nations	
	Knowledge of Special Trade Policies	
XI	LOOKING INTO THE FUTURE OF FOREIGN TRADE . .	80
	What of the Future?	
	The Individualistic Nations	
	Higher Standards of Living	
	The Breaking Down of Barriers	
	The Present Economic Situation	
	Government Aid to Trade Expansion	
	Sociological Aspects	
	 Part II—Machinery of Foreign Trade	
XII	THE EXPORTER AND HIS STAFF . . . . .	89
	World Trade Machinery	
	 THE EXPORTER	
	Classes of Exporters	
	The Producer for Export	
	The Export Commission House	

## CHAPTER

## PAGE

The Commission House as Buying Agent  
 The Export Merchant  
 The Export Agent  
 Co-operative Export Organizations

## THE EXPORTER'S STAFF

The Export Manager  
 The Director of Foreign Sales  
 The Foreign Trade Manager  
 The Manufacturer's Export Representative  
 The Correspondent  
 Translators  
 The Co-operative Salesman  
 Local Selling Agent  
 The Shipping Clerk  
 The Traffic Manager  
 Advertising Expert

## XIII IMPORTING AND THE IMPORTER . . . . . 101

Interrelation of Exports and Imports  
 The Utility of Imports  
 International Exchange of Commodities  
 Dividing Lines—Legal and Economic  
 The Importer and His Staff  
 The Importer Proper  
 The Importer Improperly So-Called  
 Local Commission Houses  
 Local Wholesale Distributer or Jobber  
 The Importer for Retail  
 The Exporter-Importer  
 The Co-operative Importer  
 The Resident Buyer  
 The Importing Manufacturer  
 Custom House Broker  
 Warehouse  
 Drawback Broker or Specialist  
 Methods of Importation

## XIV CHIEF FACTORS IN THE MACHINERY . . . . . III

Sources of Information  
 Foreign Trade Publications  
 Insurance and Freight Rates  
 Parcel Post and Express  
 Banks and Collections  
 Forwarding Agents  
 Foreign Exchange Broker  
 The Investigator  
 Foreign Trade Specialists

# CONTENTS

xiii

CHAPTER	PAGE
XV THE FOREIGN TRADE MACHINERY OF THE UNITED STATES GOVERNMENT . . . . .	116
The Governmental Machinery	
Machinery of the State Department	
The Diplomatic Service	
The Consular Service	
The Office of Foreign Trade Advisers	
Machinery of the Department of Commerce	
Other Governmental Factors	
The Shipping Board	
The Federal Trade Commission	
United States Tariff Commission	
Co-ordinating Committee on Foreign Trade	
Federal Reserve Bank	
Functions and Operation of the Federal Reserve Bank	
XVI FOREIGN TRADE ORGANIZATIONS IN THE UNITED States . . . . .	128
Public Organizations	
National Organizations	
Local Organizations	
The International Organizations	
Private Organizations	
XVII THE VALUE OF CO-OPERATION IN FOREIGN TRADE .	133
The American Trust	
Industrial Combinations	
Combinations Abroad	
Possibilities of Co-operation	
Co-operation Without Combination	
Possibilities of the Future	
XVIII THE WEBB-POMERENE LAW . . . . .	139
Enactment of the Webb-Pomerene Law	
General Provisions of the Law	
Methods of Control	
Forms of Combination	
Wide Range of Possibilities	
The Law Designed to Aid Foreign Trade	
Advantages of the Law	
XIX EXPORT ORGANIZATIONS AND COMBINATIONS . .	148
Growth of Foreign Sales Combines	
Specialty Foreign Sales	
Staple Foreign Sales	

CHAPTER	PAGE
Types of Sales Organizations	
Jointly Controlled Selling Organization	
Typical Plan of Jointly Controlled Selling Organization	
Co-operative Sales Organization	
Examples of Co-operative Sales Organization	
The Selling Combine	
Example of Selling Combine	
Form of Incorporation	
Agreements with Participating Concern	
Suggested District Sales Company	
<b>XX GOVERNMENTAL SUPPORT OF FOREIGN TRADE . . .</b>	<b>161</b>
An Achievement in Foreign Trade	
Basic American Organization	
Need of Governmental Help in Foreign Trade	
Form of Organization	
An American Board of Foreign Trade	
Specific Activities of Board of Trade	
Importance of Proper Organization	
General Functions of the Board	
<b>Part III—Operating a Foreign Trade Organization</b>	
<b>XXI THE DEVELOPMENT OF A FOREIGN MARKET . . .</b>	<b>171</b>
Attitude Toward the Foreign Field	
Developing a Foreign Market	
The Investigator	
Investigation Procedure	
Letters of Introduction	
Department	
Obtaining Data	
Time	
Expense of an Investigator or a Sales Representative	
Export Office	
Expenses and Returns	
Co-operation	
Self-Developing Foreign Trade	
<b>XXII PREPARING A FOREIGN SALES PLAN . . . . .</b>	<b>181</b>
The Sales Plan	
Information Required	
Correlation of Selling Plan and Selling Organization	
Elasticity of Selling Plan	
Special Selling Plans	
Local Sources of Information	
Concentration	

## CONTENTS

xv

### CHAPTER

### PAGE

Follow-Up Methods  
Advertising as a Follow-Up  
Closing Sales by Mail  
Co-operation in Foreign Sales  
The International Sales Manager

#### XXIII SELECTING MEN FOR FOREIGN SERVICE . . . . 192

The Elements of Success  
Aptitude and Adaptability  
Special Knowledge and Training  
Personality  
The Right Man for the Right Field  
Selecting the Man  
Age and Experience  
Tests of Candidates

#### XXIV EDUCATION FOR FOREIGN TRADE . . . . . 200

Requisites for Salesmanship Success  
European Methods  
Technical Education  
Practical Education  
American Education in Foreign Trade  
Status of American Education in Foreign Trade  
Practical Training for Foreign Trade  
Natural Qualifications Required in Foreign Trade  
Haphazard Training for Foreign Trade  
Why We Have Few Salesmen Qualified for Foreign Trade

#### XXV EDUCATION FOR FOREIGN TRADE (CONTINUED) . . . 210

The Export Office as a Training School  
The School and Shop Method  
Opportunities for Study of Foreign Trade  
A Practical Course in Foreign Trade  
Practical Experience in Foreign Trade

#### XXVI THE EFFICIENCY OF THE ORGANIZATION . . . . 218

Fundamental Efficiency Principles  
Organization  
Specialized Effort  
Formulation of General Policies  
Handling Salesmen  
The Manager's Duty—Inspiration  
Liberal and Fair Treatment  
Keeping in Touch

CHAPTER		PAGE
XXVII	SELLING METHODS IN FOREIGN TRADE . . . . .	225
	Adaptability of Selling Methods	
	Selling Methods Must Conform to Custom	
	Suiting Methods to Conditions	
	The Leisurely Approach	
	Methods for Promoting Foreign Trade	
	Competitors' Methods	
XXVIII	SUGGESTIONS FOR INTERNATIONAL SALESMEN . . . . .	232
	The International Salesman	
	Aggressive Salesmanship	
	Overcoming Customers' Excuses	
	Offering Suggestions	
	Keeping a Customer	
	Approaching a Prospect	
	Closing a Sale	
	What is Meant by Salesmanship as an Art?	
XXIX	FOREIGN TRADE BY MAIL ORDER . . . . .	241
	Status of Foreign Mail Order Trade	
	The Ordinary Type of Mail Order House	
	The Dealer and the Mail Order House	
	Mail Order Advertising	
	Good Service	
	Credits	
	The Local Representative	
XXX	ADVERTISING IN FOREIGN TRADE . . . . .	247
	Purpose of Advertising	
	Adapting the Advertisement to Conditions	
	Channels for Foreign Trade Advertising	
	Value of Advertising Mediums	
	Advertising Specialists	
	Circularizing	
	Local Advertising Agencies	
	Exhibits	
	Posters	
	Information as an Advertising Basis	
	Preparation for Foreign Advertising	
 Part IV—The Technique of Foreign Trade		
XXXI	THE TECHNICALITIES OF IMPORTING . . . . .	259
	Interrelation of Foreign Trade Machinery	
	Classes of Importers	
	Custom House Procedure	
	Foreign Preliminaries	



## CONTENTS

xvii

CHAPTER	PAGE
	Domestic Procedure Forms of Entry Blanks Storing and Bonding Undervaluation
XXXII	MANUFACTURING FOR EXPORT . . . . . 267
	Meeting the Customer's Demands The American Manufacturing System Manufacturing Details Latent Demand Production and Local Methods Price and Quality Conclusion
XXXIII	FROM FACTORY TO SEAPORT . . . . . 273
	The Technicalities of Exporting Packing General Conditions to be Considered in Packing Special Conditions to be Considered in Packing General Instructions for Packing Marking Railroad Transportation of Exports Transfer at the Port of Shipment
XXXIV	SHIPPING ARRANGEMENTS AT THE PORT . . . . . 280
	What the Shipping Arrangements Include Choosing the Steamship Company Rates Regulations Pertaining to the Handling of Freight Shipping Permit The Bill of Lading—Export Invoice Consular Requirements
XXXV	CUSTOM HOUSE PROCEDURE . . . . . 286
	Shipper's Export Declaration Shipping Through an Agent Shipments from the Interior Clearance Drawback Shipping in Bond
XXXVI	THE PRINCIPLES AND LAWS OF MARINE INSURANCE 291
	Marine Insurance The Origin of Marine Insurance Fundamental Regulations The Agents Important Features of Marine Insurance

CHAPTER		PAGE
	Liability of Steamship Companies	
	Abandonment	
	Settlements of Averages	
	Valued and Open Policies	
XXXVII	FINANCING FOREIGN SHIPMENTS . . . . .	299
	Methods of Export Payment	
	Cash With Order	
	Bank Credit	
	Open Accounts	
	Bills of Exchange	
	Negotiable Instruments	
	Trade Acceptance	
	The Use of Trade Acceptances	
	Documentary Drafts	
	Bank Acceptance	
	Financing the Import Shipment	
XXXVIII	FOREIGN CREDITS AND COLLECTIONS . . . . .	310
	Credit Customs	
	Credit Information	
	Discounting Drafts	
	International Banking	
	Effect of Federal Reserve Act	
	Trust Receipts	
	Finance Bills	
XXXIX	FOREIGN COMMERCE LAWS . . . . .	316
	Necessary for an Elementary Knowledge	
	The Commercial Codes	
	Registration	
	Miscellaneous Provisions	
	Bankruptcy Laws	
	Compulsory Bookkeeping	
	General Governmental Supervision	
	Commercial Paper	
	Peculiar Trade Customs	
	Commercial Travelers	
	Law of Agency	
	Sources of Information	
XL	SUMMARY OF TRADE-MARK, PATENT, AND TARIFF LAWS . . . . .	326
	A Knowledge of Trade-Mark Laws Essential in Foreign Trade	
	Classes of Trade-Mark Laws	
	Regulations of the International Convention	

# CONTENTS

xix

CHAPTER		PAGE
	Registration	
	What May Not be Registered	
	Rules Regarding Registration	
	Patent Laws	
	Tariff Laws	

## Part V—Trade Regulations

XLI	COMMERCIAL TRAVELERS . . . . .	337
	Knowledge of Regulations Indispensable to the Exporter	
	License Fees and Taxes	
	Recent Treaties with South American Countries	
	Documents Required	
	Admission and Sale of Samples	
	Other Important Factors	
	New Republics and Enemy Countries	
	Regulations in Individual Countries	
XLII	COMMERCIAL TRAVELERS (CONTINUED) . . . . .	366
	Regulations in Individual Countries	
XLIII	CONSULAR AND SHIPPING REQUIREMENTS IN WORLD TRADE . . . . .	390
	Requirements in Individual Countries	
XLIV	CREDIT CUSTOMS OF THE WORLD . . . . .	404
	Customs of Individual Countries	

## Appendix

APPENDIX A—	GOVERNMENTAL ENACTMENTS AND AGENCIES . .	417
	Text of the Webb-Pomerene Law	
	Law of Drawback	
	Federal Reserve Act	
	Work of the Bureau of Foreign and Domestic Commerce	
	Work of the Office of Foreign Trade Advisers	
	Federal Trade Commission—Rules of Practice	
APPENDIX B—	DIPLOMATIC REPRESENTATION, PARCEL POST COUNTRIES, AND SHIPPING DISTANCES . . . . .	438
	Foreign Cities in Which There Are American Consulates	
	Embassies and Legations Maintained Abroad by the United States	
	Parcel Post Countries	
	Distances from New York to Principal Ports of the World	

	<b>PAGE</b>
<b>APPENDIX C—CURRENCY AND WEIGHT EQUIVALENTS . . . .</b>	<b>447</b>
Foreign Currency Equivalents	
Values of Foreign Coins	
Conversion Tables	
<b>APPENDIX D—SUGGESTIVE INVESTIGATION CHARTS . . . .</b>	<b>453</b>
Investigator's Instruction Sheets	
Investigator's Analysis Sheet	
Investigator's Summary of Analysis Sheet	
Supplementary Topics for Investigation	
<b>APPENDIX E—BIBLIOGRAPHY . . . . .</b>	<b>463</b>
<b>APPENDIX F—GLOSSARY . . . . .</b>	<b>465</b>

# PRINCIPLES OF FOREIGN TRADE

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## PART I

### GENERAL CONSIDERATIONS



## CHAPTER I

### THE OPPORTUNITIES OF FOREIGN TRADE

#### **Advantages of Foreign Trade**

Why should any American manufacturer or producer, who has a satisfactory business at home, enter the foreign field? Even when he is convinced that foreign trade would be advantageous, how shall he set about it and how can he avoid the obstacles and overcome the handicaps that confront the stranger in a strange land? These questions this book purposes to answer.

Foreign trade offers to the American producer an opportunity for greater profit, for greater independence, and for greater service. The exporter who discovers and develops a new market is as much a creator of wealth for himself and his country as is the miner or the farmer. Nor do the advantages cease with his increased income. His foreign trade will tend to make him independent of domestic conditions. He can weather a period of national financial depression without reducing his force or curtailing his output. High wages may continue and the cost of doing business may rise, but his increased production to meet his foreign orders will keep down the cost price of his goods. Here he will find a profitable use for the new factories and machinery bequeathed him by the war. Here is employment for his surplus labor and here are real careers for those of his employees who can qualify. Finally if he will properly equip himself, he will be in a position to grasp the greatest opportunity that has ever been offered the American trader.

Now, if ever, is the time to establish overseas a permanent

market for American goods and to lay the foundations of a trade that will give the United States the place among the world's exporting nations to which it is entitled by reason of its size and resources. The shelves of the world are empty. It will be years before the nations of Europe will be able to provide for more than their own needs. It should be possible for this country, if its business men utilize their opportunity, not only to maintain the remarkable trade it has gained during the war, but still further to develop and stabilize this avenue of industry. Such a development would vastly increase the national wealth. The task for a few years to come will be comparatively easy, though sooner or later the American exporter will find himself in competition with the world's best international traders. Only if he will properly equip himself can he then hold the position he has gained.

### **Requisites to Success**

The price of success in the foreign field is most careful and constructive preparation. Foreign trade is not adapted to get-rich-quick methods. It has a technique of its own which must be mastered. The trader must study his market. He must build for the future. He must not treat his foreign department as a dumping ground for what he cannot easily dispose of at home. He must seek business intelligently, for no longer does foreign trade come unsolicited. He must be ready to make a substantial investment of time, money, and energy. The results will amply justify the expenditure.

One of the American trader's chief requisites for success is knowledge—specialized, expert knowledge. He needs no less the establishment of direct selling facilities, only possible to the average trader through co-operative effort. Above all he needs the support of a strong, aggressive, organized, and continued effort for the sale of American goods abroad and for the protection of commercial integrity in foreign lands.



When to these requisites is added a proper individual equipment, the road to success is open.

### **Foreign Trade as a Career**

It is not only to the capitalist and the established producer that foreign trade presents its opportunities. To the young man with health and ambition, energy and intelligence, if he is foot-loose, if he has imagination, and above all, if he is touched by the spirit of adventure, it offers a career whose attractions are strong. The spirit which may have lured his grandfather to ship before the mast, or his father to forsake the village store for the life of the commercial traveler, beckons him to a greater opportunity than they ever dreamed of. It is not merely a chance to see the world and to earn a good living, but a call to act as his country's emissary. The work of extending America's market is a pioneer work worthy of comparison with that of the early pathfinders who extended her boundaries.

The opportunities are not restricted to salesmanship. Many a successful salesman returns to the office from which he started, to fill one of the executive positions which are the big prizes of the calling—big not only in their material rewards but in the chance they offer him to do constructive work of a high order both for his products and for the welfare of his country.

The positions in the office of the foreign trader call for trained men. Here the habitual job-hunter meets his Waterloo. Mere willingness and general education are not sufficient. Special training and technical knowledge are indispensable. Vocational education for foreign trade is one of the great needs of the moment. If without such training a young man can secure a foothold in an export office he is indeed fortunate. If he hopes to advance or even to remain, he will at once set about the acquisition of the special knowledge that he needs.

Here is a vocation that is not yet overcrowded. Here is a real future for the man who will do his part.

### **Foreign Trade and National Welfare**

Foreign trade has begun to be conscious of a new spirit. The day of the individualist is waning. The interests of the foreign trader are closely knit with those of his native land and of the country with which he deals, and whether he is conscious of it or not his activities have an important bearing on their prosperity and welfare. The national advantages of foreign trade may be summed up as follows:

1. Foreign trade stimulates national progress and steadies prices.
2. It creates national wealth by widening the circle of exchanges.
3. It brings about a better adjustment of the creative forces of the nation.
4. It disposes of surplus products and gives employment to surplus labor.
5. It offers a new field in which the country's capital may replace itself with profit.
6. It improves the distribution as well as the production of wealth.
7. It tends to reduce the cost of money and it improves the national credit.

In a word, foreign trade is among the most powerful factors in creating and multiplying the wealth of the nation.

### **The New Spirit of Foreign Trade**

It is in the exporter's attitude towards his foreign market that the new spirit is most manifest. He not only regards himself as the custodian of his country's honor, but he has begun to build for the future. He is no longer satisfied to grasp an

immediate profit and to seek pastures new. Today he is aiming to lay the foundations of a permanent trade. He wants the confidence of his market and he is seeking to cultivate it. He realizes, finally, that the highest business ethics and good business policy are as closely identified abroad as they are at home.

The exporter who, while he piles up his profits, thinks and speaks of himself as a missionary who is extending the fruits of this country's civilization and who therefore should be considered a benefactor of mankind, may evoke a smile, nevertheless there is much to be said for his point of view. It may be that he is raising the standard of living and of civilization itself and is helping to equalize the chances of all peoples in the pursuit of happiness. If the exporter really believes in his products and is successful in introducing them among people who but for him would never know them, the financial returns may well be the lesser part of what he has brought about.

The new spirit of foreign trade is born of a consciousness of the opportunity for service and of the responsibility which it involves. The trader who seeks success today must deserve it.

## **CHAPTER II**

### **SIX FUNDAMENTALS OF FOREIGN TRADE**

#### **Fundamental Factors**

There are six factors in foreign trade which may be considered as fundamental. They are:

1. Capital
2. Information
3. Method of distribution
4. Organization
5. Terms of sale
6. General policies

#### **Capital**

Capital must be considered first, for on the amount of capital the exporter has at his disposal will depend the character of the other factors. Large capital is not always necessary. If he is satisfied to grow slowly, but little if any additional capital is needed to start. When more rapid progress is desired a few thousand dollars will often suffice when the exporter does not depend entirely on his export business for his maintenance. Generally speaking, however, unless he is prepared to make a substantial outlay for the development of the business, it would be better not to enter the field.

#### **Information**

The amount of information necessary for an exporter depends entirely on the other factors. If the exporter is satisfied with the occasional order through a commission house which the casual advertisement in an export paper may bring, exten-

sive information is superfluous. But if direct trade is contemplated, with a special organization to conduct it, all the information available becomes an absolute necessity. In the chapters which follow the kinds of information needed and the ways in which it may be acquired will be fully discussed.

### **Method of Distribution**

There are six general methods or channels of distribution:

1. Export houses (merchant and commission)
2. Mail order
3. Travelers
4. Local agents abroad
5. Branch office or special organization or arrangement abroad
6. Co-operation

The choice of the method depends on what the exporter aims to accomplish, on the amount of capital at his disposal, the kind of merchandise he handles, and many similar factors. Usually more than one and sometimes all of these six methods of distribution are adopted simultaneously.

If the would-be exporter is merely experimenting or making the preliminary moves, he may choose to solicit orders from a local export house. He may also use an occasional advertisement in an export paper, at the same time corresponding with foreign buyers and agents. Little outlay is required for such a procedure, but the results are extremely slow and uncertain. This course is wise in case a manufacturer wishes to dispose of a small production which he fears home markets will not absorb. It is wise if he wishes merely to develop inquiries from abroad and to establish foreign connections slowly and at little expense. But he should not expect large results from this method or become discouraged if the process is much slower than he originally anticipated. This method

has been pursued by most of the manufacturers in this country who are engaged in exporting—which in a measure explains why our direct export trade has not been larger.

At the same time it must be remembered that cautious procedure is much more desirable than that of the man who tries to do too much with too little—too little knowledge, too little capital, and too little organization. Such a man usually attempts to sell through commission houses, mail orders, travelers and local importers, or agents abroad—through nearly all the principal channels of trade, without first studying the requirements. He soon comes to the conclusion that the game is not worth the candle; he finds the expenditures altogether out of proportion to the profits and he concludes that there is nothing in the export trade. There will never be anything in export trade for men who aim to do business in a rush and attempt everything without first testing anything.

The only wise courses to pursue are either to enter exporting with thorough equipment, or to begin on the very small scale indicated in the first instance. Should the first method be selected the exporter will need sufficient capital, complete knowledge of the field, the establishment in foreign countries of branch offices, agencies, or subsidiary organizations, the adoption of proper terms of sale, and the formulation of policies that will stand the test of time.

If the resources of the concern are not large enough to enable it to stand alone, co-operation should be sought with other exporters in similar or non-competing lines with a view to a joint investigation and exploitation of the field by means of the combined resources in distribution, advertising, selling, and branch office administration.

### **Organization**

In direct exporting the manner of developing and handling business is important. The type of organization must vary

with conditions. Very frequently the formation of a separate company is the most practical way of promoting export business. The new organization may be an allied company, a joint selling company, an independent company, or any type of combination permitted under the Webb Law.

In the case of the allied company, the name of the parent house may be used for the company which is organized abroad to handle the trade in the particular territory. Such company may or may not be controlled by the producing concern and the whole risk of selling for export in a particular territory is frequently assumed by the allied organization. It is a matter of business and legal detail to decide whether or not in a given case the formation of an allied company is best and to what extent independent or exclusive rights should be granted it.

A joint selling company, such as the United States Steel Products Company, can be said to be merely an export department acting as a separate sales organization for a number of competing manufacturers. The advantages of such an organization in selling the products of a number of producers are manifold. It usually buys goods from the concern or associated concerns for which it is acting at prices allotted in advance or during the year, with a periodic settlement of accounts according to previously arranged plans.

An independent company organized for export may take numerous forms—it may be essentially a commission house or an agency handling the products of different manufacturers, as in the case of the North American Copper Company; it may be a co-operative company representing various manufacturers in non-competitive lines in foreign markets, as the National Paper and Type Company; it may act as a selling agent for a company made up of allied manufacturers, as is the case of the American International Corporation in connection with the Allied Machinery Company of America. Further discussion of this subject appears in Chapter XIX.

The type of export organization to be created or adopted will naturally depend upon the nature of the product, the financial resources of the manufacturer, the condition of the markets, and the general financial situation throughout the world. For a small concern entering the export field, even the creation of a separate sales organization is usually unnecessary. The foreign department of a large company should be fitted to transact every kind of export business for foreign countries. A large concern would not think of giving up indefinitely its selling rights to a separate organization, but would devise a flexible plan adaptable to the varying conditions under which the particular product has to be handled abroad. The laws of the country where export business is to be transacted will have much to do with determining the plans for a separate selling organization abroad.

### **The Terms of Sale**

The terms of sale constitute a very important point in connection with foreign trade. No other question so interests the foreign purchaser. His first demand in every market will be for long-time credits, and the American exporter must be prepared for it. The bulk of our foreign trade is at present conducted on what is practically a cash basis, the commonest form of payment being the bank acceptance. Of late a revival of the trade acceptance has had its enthusiastic supporters. The details of the operation of these methods of financing foreign trade need not concern the reader at this point. Suffice it to say here that from the buyer's viewpoint they offer all the time required for payment, while to the seller they mean cash as soon as the goods are placed on the vessel.

One of the chief elements of success in export trade is for the seller to discover a way of giving credit to his customers or to some of his customers without being himself the sufferer, for credit has been in the past and will be increasingly in the



future, a leading factor in overcoming competition and in extending trade. To that end the seller should, through the agency of his bank, arrange for the acceptance of his draft by the buyer, the bank meanwhile advancing the greater part of the value of the shipment on the security of the documents which give title to the goods.

Certain specific methods will be discussed later. In the meantime it seems self-evident that so long as European exporters continue to grant the more attractive credits the American exporter faces a disadvantage, unless he is able to outsell his European competitor through the superiority of his product, or the efficiency of his service.

### **Miscellaneous Export Policies**

Next in importance to the credit policy comes the determination of the quality of the article sold and the margin of profit to be earned. The greater the margin of profit the greater may be the extension of credit and the selling expenditures. In fixing the selling price abroad the exporter should be governed as much by local conditions as by his previous experience in the domestic field. Whether his price be higher or lower than at home, his margin of profit should be large enough to permit of its reduction under the stress of foreign competition.

If the goods have been manufactured for export and with a view to the requirements of each market, they will generally stand an increase in the margin of profit over and above the normal. For it must never be forgotten that next to extended credit what the foreign buyer wants from the exporter is quality, and the concern which happily combines these two finally determining factors is on the way to certain success.

There are other policies less fundamental but sometimes no less vital, the most important of which will be discussed later. The proper methods of choosing and training men for foreign

service, the methods of packing and shipping merchandise, the wrapping of packages for display, etc., the reliability of the exported article, the rate of discount for cash, the expense and the methods of selling—all these are determining factors in the policies of the exporting concern.

## CHAPTER III

### FOREIGN TRADE STRATEGY AND ITS ESSENTIALS

#### **Strategy in Foreign Trade**

Recent events have demonstrated that war may be a business, and there is much in business which resembles war. Every business campaign to be sound, should, like a military campaign, be based on strategy. That is the most vital principle in war and business alike. But although to a military man the word strategy has a world of meaning, to a man of affairs it is still vague and uncertain. He grasps its full significance only after he has resolved a proposition into its component parts.

Military strategy is the art by which Scipio conquered Carthage, Caesar Gaul, and Napoleon the greater part of Europe. It is the science of military movements in the game of war, and not the mere theory of the scholar, nor the inspiration of genius. To be scientific, strategy must be based on exact knowledge, systematized and brought to a perfect focus. In business, strategy is the art of commercial conquest. It is the science of mercantile operations, by virtue of which Rockefeller extended his commercial organization throughout the world. It is the science by which the modern captains of finance and industry everywhere have accumulated their untold millions.

Commercial strategy is based upon the knowledge of the factors which underly mercantile and financial movements directed toward overcoming competition and extending operations to their utmost capacity. In foreign trade, strategy is by

far a more difficult and more complicated affair than it is in domestic trade, just as the knowledge upon which it is based is more intricate and less easy to acquire. In domestic trade, instinct is of itself a kind of knowledge. Most people acquire a sense for the right action almost automatically, through long association with men and affairs and through the influence of environment. One needs only to be born and bred in the United States and to have an ordinary education and common sense to be a fair judge of his countrymen and to understand their customs, their tastes, and their manner of doing business. Even the knowledge of the laws of the country is acquired without perceptible effort through environment—through the ordinary intercourse and reading of daily life.

### **Definite Study Essential**

But instinct helps little in foreign trade. There one must learn the character of the people, their ways, their business methods, and other fixed conditions prevailing in a given country through patient study and observation on the ground. Without this knowledge the trader may encounter difficulties which will prove disastrous to his venture. The amount of knowledge requisite to a well-directed effort in a foreign field seems to bewilder and frighten many a manufacturer. This to some extent accounts for the fact that so many American producers, instead of handling their export business themselves, leave it entirely to the care of commission houses.

After all, when the intricacies are fully considered, the knowledge necessary to the successful conduct of foreign trade is no more impossible to gain than the knowledge of many other phases of business activity, only requiring systematic, intelligent endeavor. It is not the object here to teach business strategy in international trade, but merely to point out the essentials in the store of information which must be acquired before one can qualify as a strategist in that field.

### **The Collection of Information**

In one sense strategy is a deduction. There must be definite data in hand from which the deductions may proceed. The first step toward the acquisition of strategic information is to find out what data are essential and through what channels such data may best be obtained.

There are, of course, in every country various sources of trade information, such as governmental bureaus, banks, and trade associations, which will be more fully discussed in the next chapter. Volumes upon volumes of material have been gathered by consuls and representatives of private concerns in all parts of the world. The reader must be able to discriminate, however, otherwise years of study and research would be only so much waste of time.

### **Investigation on the Spot**

An international trader should take as his fundamental maxim, that the most valuable information is that which is acquired on the ground and personally by one who will participate in the planning of a selling campaign in a given country or market. The information acquired at home and all other second-hand information is of less value and most helpful to the extent that it facilitates personal research. The study of actual cases has fully demonstrated that the concerns which have made a success in foreign ventures have acted upon this principle, and that those which failed have relied wholly on second-hand information.

While the information collected on the ground concerning demand and supply and the structure and psychology of the market shows the immediate trade status, it should be supported by wider study both of the foreign country itself and of its relations with the United States. A physical examination of the human body shows the present state of a man's health, but it does not indicate whether it is likely to improve or grow

worse. To determine that one should know the man's mode of living, his occupation and habits, and his history, personal and ancestral. So it is with a market. Knowledge of the present status gives no certain indication of the future. Some attention must be given to the study of the political, governmental, and legal status of the country under investigation, of its history and economic conditions, and possibly of the structure of its society.

The details to be mastered will vary with each case and the man who knows his own business must be his own final judge of what to learn and what to pass by. But it is always well for him to know the nature of the relationship between the foreign country and his own. Diplomacy nowadays is a part of international trade strategy, covering the action of parliaments, the policies of governments, and the fortunes of war.

The trade of the world in the future will be far more active than ever before, the attack upon new fields will be sharper, fiercer, more international, and more overwhelming. This fact, with the continually changing conditions, makes it impossible to place complete reliance on any but the most recent records which have been prepared for a given market, however useful other information may be as indicating approximate conditions.

### **What May Be Learned at Home**

Nevertheless, a theoretical knowledge of foreign trade should be acquired first through home study. The main facts of demand and supply, and of all the necessary conditions and requirements of trade in a given market can thus be learned. If the interests involved are large the trader should visit the country with which trade is contemplated and make an actual survey of the market by personal observation, applying and confirming second-hand knowledge derived from books, journals, reports, papers, and correspondence. Then and not till

then is he ready to draw final plans for a commercial campaign.

Strategic information of primary importance is the knowledge of demand and supply—their sources and extent with reference to a given product in a given country. A man does not look for bread in a desert, nor will he try to sell his wares either in a country which has no need for them, or in one in which the markets are overstocked with similar lines. But that is not all. Scientific direction of business in any territory requires familiarity with the nature and quality of the goods to be sold, their possible uses, the prevailing prices, extent of existing competition, and whether or not the demand is actual, real, and permanent. Such data as well as the knowledge of the people, their tastes, habits, and business methods can best be learned through personal observation.

Supply and price are by no means all that control trade in any country, for the state of mind of the people is quite as important an item.

### **Study of the Psychology and the Structure of the Market**

The study of the psychology and the structure of the market is, therefore, important, for it should be remembered that every market has its peculiar structure and its distinct psychological aspects. Every nation, nay every city, has its collective soul, or atmosphere, and so every market has its distinctive characteristics.

A market, after all, is the manifestation of the feelings, desires, and the material aspirations of the people. Its condition reflects the conditions which prevail among them. Find the measure of the market and there will be found the measure of the people that make it what it is, and conversely. The structure of the market is more apparent after one has examined the methods of distribution, the mercantile systems existing in a particular territory, and the commercial laws and customs upon which they are founded. The observer learns by

comparison. Knowing the commercial methods and the structure of the domestic market in his own peculiar line, if he is a keen observer, he will quickly note the differences in the foreign market. In the same way, he grasps the financial situation. Once the conditions of demand and supply and the structure and psychology of the market are ascertained, other knowledge comes naturally and as a matter of course.

### **Charting the Results of Investigation**

After the prospective trader has completed each detail of his survey on the ground, the results of his investigation should be reduced to writing. At the conclusion of the trip these data should be carefully classified, digested, and embodied in a chart. This chart becomes the war map of the foreign trade strategist, or of the strategic board that is to sit in judgment upon the accumulated data, and formulate conclusions as to the advisability of a campaign, and of its nature and extent in a given territory. (See "Investigator's Summary of Analysis Sheet" in Appendix D.)

One may feel that it is not an easy thing for a stranger to obtain information in a strange land and may be uncertain as to how to proceed. The difficulties of making such investigations are not, after all, so much greater than they are at home except that the process usually takes a little longer. The channels are the same, and abroad one may have in addition the assistance of the diplomatic, consular, and trade representatives of his own country. All these are at the service of the trader, or, if he cannot or does not care to go abroad himself, of his representative.

To get in touch with the market, to examine the lines of current merchandise, and to study the methods of competition at close range are alone worth the cost of the trip. A better knowledge and grasp of actual conditions can be obtained by personal observation in a week than can ever be learned at



home. Besides, why place the cart before the horse? If the entrance into the market is desirable, someone must go there to sell, if selling is to be direct; why not let him first investigate?

### **The Formulation of Plans**

Not many American business houses have as yet developed in their organizations anything like a board of strategy, nor can it be said even yet that trade strategy is a generally accepted factor in the conduct of business. The tendency, however, in large business undertakings is manifestly in this direction. In nearly every organization there is some individual or group concerned with the deliberate planning of the selling campaigns and in superintending their execution.

In recent years advertising agencies in the United States have gradually developed into just such strategic boards for planning and conducting selling campaigns. Some of these agencies have their own strategic organizations; others advise their clients how to proceed in the development of their trade—chiefly domestic trade—very much on the lines indicated here. They are acting upon the theory that modern merchandising or scientific selling calls for carefully organized research into trade conditions—for analysis of markets, study of the consumer, and development of the technique of trade. It is always wisest to start on a foreign trade reconnoitering expedition with a definite written plan as to the information to be obtained, what is to be studied, and how to proceed. (See Appendix D for “Investigator’s Instruction Sheet” and “Investigator’s Analysis Sheet.”)

The chief work of the strategist comes after all this. When he has gathered his necessary information he decides upon the nature of his campaign, devises selling methods, prepares the plan of sales, selects representatives, creates a sales organization, and does all that is necessary to the successful conduct of business in a particular country. If the strategic

knowledge has been wisely obtained, the plans carefully drawn and carried out, and the market conditions are favorable, then all the elements of success are present.

### **Recapitulation**

In the succeeding chapters the principal lines which every strategic investigation in foreign markets should follow will be considered separately and in some detail. But before ending this chapter the following points should be emphasized.

Essentially there is no difference between domestic and foreign trade. The basic principles remain the same whether the commerce is between people of the same country or of different hemispheres. The differences between the two kinds of trade are differences of detail. In overseas trade the details are naturally more complicated and less easy to master.

The most up-to-date methods of trade-preparedness study, and of the investigation and planning which form the basis of domestic business campaigns, should be adopted in foreign trade. This study will include a complete understanding of the supply and the demand for the product the exporter is to offer, and of the structure and psychology of the market in which it is to be pushed. The plan should be formulated with scientific exactness and cover the following steps:

1. A preliminary home study of the contemplated market.
2. A written plan of investigation to be conducted at first hand, if possible.
3. A compilation of the data thus obtained, digested, classified, systematized, and embodied in a chart.
4. A written plan of the campaign to be based firmly on these data and to be carried out with vigor and with painstaking precision.

When this has been done the trader may feel that he has made a truly adequate preliminary preparation for his task.

## CHAPTER IV

### SOURCES OF FOREIGN TRADE INFORMATION

#### **Statistical Information**

Statistical information may be governmental or private. Governmental statistics are gathered by nearly every country and cover almost everything. An important part of every government's statistical data is that which is drawn from or concerns foreign trade.

#### **Defects of Governmental Statistics**

Such data, however, to be really useful, should be properly compiled and classified. In some countries more attention is paid to this very essential point than in others. Unfortunately, in many instances the greater stress is laid on the accumulation of a mass of facts; hence the student of the world's trade is frequently obliged to classify and digest such statistical information as he may obtain on the subject which interests him. If, instead, ways and means were devised for the organization and compilation of the material gathered—for placing it in such form as to be easily accessible to all who are interested in any line of investigation—its sphere of usefulness would be greatly increased and the ends of science better served. This work is in itself a science. No great skill is necessary to compile the figures obtained at a custom house, but it takes a great deal of skill and originality to place each item where it belongs and so to arrange the data that they touch every pursuit and fill every requirement. On the whole, the government's statistical information is usually defective, because it embraces too large a field and for the most part is too general.

But one has to avail oneself of governmental statistics when necessity arises, whether they are defective or not. The statistical annals of foreign governments should be consulted when those of one's own government fail to satisfy the particular inquiry. For a comparative statement of imports and exports of every country the writer has found the British Abridged Annual very convenient.

When complicated information is sought an expert should usually be employed to search out the information concealed in the maze of figures. Large concerns have their own statistical departments, and a number of private firms make it their business to supply statistical information. All of these people, however, have to depend largely on governmental sources, and the chief value of these works lies in the arrangement of material and in its presentation in such form as to make it available to the average business man.

### **Miscellaneous Sources of Information**

To the miscellaneous sources of information belong consular reports and other governmental publications on the subject of foreign trade, current discussions at conferences of exporters and trade associations, the articles in the trade journals, and the information disseminated by the chambers of commerce, boards of trade, and various foreign trade organizations.

### **Consular Information**

Consular information is not only useful, but indispensable. It is unfortunate that manufacturers and exporters are not apt to think of governmental assistance until they are in trouble, and when not the preventive but the cure is required. Still, it is a well-known fact that the government bureaus are not so efficient an instrumentality for good as they might be expected to be. They are often slow and unprogressive. In the United

States many special reports published by the Department of Commerce are too antiquated to be useful.

### **Trade Discussions**

Every year discussions of special topics are held at various trade meetings throughout the country, which are published for the most part either in special reports or in the trade papers. The trade papers print also from time to time the experiences of traveling men and the opinions of professional writers. It cannot be said, however, that these sources of foreign trade information have yet reached in every case the stage where it would pay a busy man to spend much time in studying them.

Special trade information, such as is gathered and disseminated by trade associations—for instance, the Automobile Manufacturers' Association—is exceedingly valuable if properly organized. This is really the best method for the acquisition of special knowledge. It is a pity that such associations do not pay more attention to this particular line of work.

### **Governmental Trade Investigation**

In the preceding chapter stress was laid upon the value of first-hand trade information. The securing of such information necessitates a personal trip into the country under investigation. On account of the large expense involved such a trip is oftentimes impossible. The government, realizing the handicap upon smaller manufacturers who are ambitious for foreign trade, is sending out special investigators into various countries to study and report on trade conditions. Each of these representatives is empowered to carry on an investigation in some specific line, such as hardware or automobiles.

While this is an excellent idea, such an investigation usually covers so large a field and takes so long a time that when it is completed and published many of its points are out of date

and consequently are not only useless but misleading. Then again, the investigators are not always particularly well qualified and trained. But perhaps the most important objection of all to their employment is the fact that since their work is limited to investigation, they have no such special interest in the subject as would be the case if they had any hope of advancement, of larger earnings, or of permanent employment. Notwithstanding all this, their reports are of great value in promoting American commerce abroad.

### **Trade Representatives' Investigations**

Perhaps of still greater value would be the reports of an investigation in a foreign country based on the requirements of a particular trade and furnished by a representative of a trade association in a particular line. The result would be more gratifying to the individual manufacturer for the reason that such an investigation could be conducted primarily along the lines which would be of special interest to the majority of the members or to an export combination which might be forming. In any event, neither the government's investigation nor that of a trade association representative can be considered by a conservatively managed concern as anything but a preliminary to its own final and thorough survey of the field. Of course, when a number of concerns enter into an export agreement for the creation of a joint sales organization, their study of the market by their own representative ought be deemed sufficient and his reports final.

### **Miscellaneous Printed Matter**

Of value are the works on political economy, and the essays of private investigators upon different aspects of the world's commerce. The trouble with such data is that they too quickly get out of tune with the times. Commercial progress marches rapidly and such information cannot be of much value

if it is more than a year old. Some of these works are useful as giving a general idea of foreign trade, but for practical purposes, to the man who wishes to learn the game of international trade quickly and without waste of time, this source is of moderate value only.

Sources of information of this sort which have been found to be of real value are the almanacs and year-books of the different countries, and commercial and geographic atlases.

### **Original Information**

Original information is the data one secures for oneself on the ground. This first-hand knowledge is the most valuable of all. It should, of course, be strictly up to date—the very latest news which is obtainable in the world of trade relating to the line being handled. To accumulate a large volume of knowledge from personal observation and investigation, the investigator must not only have the opportunity but ability and special qualifications as well.

This kind of information must be secured directly from the people who are in possession of the facts, and if it is to be of greatest value the investigator must be expert in the subject he is investigating.

The available sources of foreign trade information are:

1. Consular and diplomatic officers and commercial attachés of the home government in a given country.
2. The local governmental channels of the country under investigation.
3. Manufacturing, financial, and mercantile organizations and concerns, such as boards of trade, information bureaus, banks, and the opinions of the foremost importers in a given line.
4. Special trade channels. If one is in the steel business his special channels of information would be all the avenues of the steel trade. These channels would

include the manufacturers and traders in steel and their trade and commercial associations.

The first two of the above sources are in some cases of but little informative value, and especially when extensive preliminary information has been secured at home. Even if they are not available as sources of information they are frequently capable of giving most valuable assistance in the way of advice and introductions.

In the last analysis no investigation, no matter how thorough, should be considered as all-sufficing because commercial life is not stationary but is continually changing. The wisest thing for an up-to-date, progressive house to do is to keep someone permanently on the ground who can be in constant touch with the ever-fluctuating trend of events in the world of commerce. Above all, there should be a concrete and definite plan of procedure and a clear idea of the knowledge desired before any investigation is begun.



## CHAPTER V

### DEMAND AND SUPPLY IN THE FOREIGN MARKET

#### **The Principles of Demand**

The investigator in the foreign field need not delve very deeply into the philosophy of demand. The word has many implications and its meaning to the psychologist is vastly different from the political economist's conception. From whatever point of view it is considered, however, demand always implies two factors—the desire to possess and the means of purchase. Beyond this, generalization is dangerous.

Every commodity has its own laws of demand and every market has its own peculiarities. The investigator who is interested in a particular product must study the reaction thereto of each individual market. Nevertheless, his determination of the extent and character of the demand will be greatly facilitated if he constantly bears in mind certain elementary principles which are universal in their application. These may be stated briefly as follows:

1. The demand for a given product rises or falls with every rise or fall in price.
2. When a market demands a certain commodity at any price, the price is determined by the competition of the sellers.
3. With every reduction of price more will be demanded and less offered, so that too low a price ultimately creates an unsatisfied demand.
4. In the case of great international staples, price is controlled by the demand and supply in the world's markets.

5. Demand indicates the degree of the utility of the product, and a scale showing the demand for a given commodity indicates its present status.
6. Demand may be elastic or inelastic, immediate or deferred, and its status is governed by the social, economic, political, and business conditions prevailing in the given market.

In selecting a market the safest rule to observe is to enter only those markets where the demand for a particular product is already established and clearly defined, so that both its extent and quality can be determined in advance. If no immediate demand is apparent the conditions of the country must be carefully studied to see whether a desire for the product can be fostered or created, and whether it is worth the time and the expense. The experience of the past shows that concerns have often sustained financial losses by venturing into a market where no adequate demand could be created. An illustration of this point is the experience of a large concern which went to Central America to sell an ordinary cooking stove used in northern countries. After a very large expenditure of money, the concern discovered that, owing to the climatic conditions, the people would not buy the new stove. The ill-judged effort to sell an utterly inappropriate article was entirely wasted.

### **Tests of Demand**

Correct strategy requires that before venturing into a foreign market, the exporter should not only be certain that his preliminary information indicates a well-defined demand for his product, but that he knows with accuracy the nature, quality, and extent of that demand. There are two tests, one quantitative and the other qualitative, which if made on the basis of correct statistical information will give him these facts.

### Quantitative Tests

The quantitative test may be stated thus: The total amount of domestic manufacture, plus the total amount of importation, minus the total amount of exportation of a particular product, will show the status of the demand in a given country for that product.

The amount of a country's importation is not alone necessarily the measure of its domestic requirements. England, Germany, and other countries imported annually immense quantities of merchandise which they never used in their own country, buying for export only. They were the great international buyers and distributors for the markets of the world. Goods are often listed as coming from a certain country, when, in truth, they only come through that country. For instance, most of the American goods sold in Russia, up to the time of the European War, were imported through Germany and listed in Russia as German goods.

### Qualitative Tests

To know the extent of a demand for a product in a given country is not of itself sufficient; the nature and quality of the demand must also be determined. It is not enough to know that Russia uses annually a certain number of automobiles. It is essential that the different qualities used and the approximate amount of each quality should be learned. To this end the following qualitative test may be employed: Ascertain the amount of domestic output in each different grade of goods, then add to each grade the amount of importation of a similar grade, and finally subtract from the totals of each grade the amount of similar quality that is exported. The result will show the different qualities of demand and the extent of each quality.

It must be remembered that inasmuch as statistical data

are often incorrect such tests are never conclusive. It is only when they are supplemented by a personal investigation that the extent and quality of the demand may be truly appraised.

In no country is the desire for a given product evenly distributed. The exporter should determine in each case the quantity and quality of the demand for his product in a particular locality, with a view to preparing a comparative statement of the conditions obtaining in a given market. Until this is done one is not ready to inquire into the reasons for any phenomena in the nature of demand. If it is known that one locality, with a population three times as large as another locality, uses only one-fifth as much of a certain article, there must be a reason. Such discoveries lead to a study of conditions which should enable the trader to determine whether or not there is any deferred or potential demand, and whether it is elastic or inelastic.

### **Potential Demand**

The existence of a strong potential demand may change the whole policy of a prospective exporter in regard to a particular market. Both the immediate and the deferred demand for a commodity are affected by local conditions. A slight change in conditions may result in greater quantities being required at a higher price or less at a lower price. There are as many degrees of elasticity as there are variations in human wants or in the ability of men to satisfy these wants. If the demand is inelastic, it may be destroyed completely by any marked increase of price. Thus a definite knowledge of the possibilities of extending the demand for a product in a particular market is not only desirable but often indispensable, especially when extensive advertising is contemplated.

In some cases it is easy to determine the potential, deferred, or probable demand. For example, it is obvious that after a war which destroys railroads, bridges, buildings, and even

entire cities, great quantities of building material will immediately be required. Also, through the great European War people have learned the value of auto-trucks, and it is reasonably certain that there will now be an increased demand for these vehicles, and a corresponding increase of the second-hand supply.

As a rule, however, it is a difficult matter to estimate potential demand or to invent new wants and habits for a people. In backward and undeveloped countries a necessary preliminary to the stimulation of demand is the awakening of wants and desires that are dormant for the time being. In developed countries there is much of the force of habit in consumption, and as very few producers are capable of invention, the problem of creating a demand is never an easy one. A good illustration of an artificially created demand is that for Postum, Grape Nuts, and other similar products. Mr. Post happened to observe that the American people are subject to nerve and stomach troubles and turn readily to such food substitutes in the hope of improving their health.

In estimating a potential demand each case must be studied carefully on its merits. There must be differentiation between an absolutely new demand and the extension of an old demand, although the word "potential" may be used in both cases. Different methods must usually be employed in each case.

### **How to Study Demand**

To enter a foreign market upon a large scale without a thorough study of the demand is like embarking upon an ocean voyage without providing oneself with a compass. Many concerns—it would be surprising to know how many—have done this foolish thing and failed to accomplish their purpose. The investigation should proceed along the following lines:

1. Find out the law of demand for a product in a particular market from the aspects of that market.

2. Determine the quantity of the demand by means of the quantitative test, and its quality and extent by the qualitative test.
3. Supplement both tests by a personal investigation among the dealers.
4. Prepare a comparative statement of demand in different localities both as to quality and quantity, and compute the quantity per capita.
5. Study the general conditions of the market and determine whether the demand is elastic or inelastic, and how much potential demand can be counted on.
6. Prepare a chart which will set out briefly all the findings on the subject.

The study of consular reports and of articles in export journals may assist the exporter in gauging the foreign demand for his product, but only when he has followed the steps indicated has he carried out a scientific investigation.

### **The Relation of Demand and Supply**

The fundamental tendency of all commerce is to adjust itself to the needs and desires of the consumers. Hence supply generally follows demand and constantly tends to adjust itself to it. The equilibrium of demand and supply is not a frequent occurrence and when it does occur it is merely a temporary condition. Generally speaking, one is as fluctuating as the other. Nevertheless, whatever knowledge one may have of demand helps in determining the corresponding data relative to supply; and the extent and quality of supply, under ordinary conditions, give a sure indication of the extent and quality of the existing demand.

### **Tests of Supply**

After obtaining the correct statistical data regarding a particular line of product in a given market, there are three

important questions to consider and determine relative to supply.

1. Are there any signs of overproduction or of unused supply?
2. What is the nature and quantity of local or domestic supply?
3. What are the principal sources of foreign supply, and what is the extent and quality of each? That is to say, how much of a given product does the country under consideration import from other countries, and how does the quantity—and the quality—imported from each country vary?

### Overproduction

Whenever there is an overproduction in a certain line it is followed by an immediate depression in the market which is felt by everyone interested in that line. The existence of overproduction can be determined by mere casual inquiry.

Unused supply or an overstocked market may exist whenever there is a temporary strain upon it, caused by local conditions. A general financial depression, poor crops, changes in the utility assigned to a commodity by its intended purchasers, the rise of substitutes, or any similar phenomena may prevent immediate absorption of production by the local market. Care must be exercised to differentiate between the permanent and the temporary condition. Above all, one must be careful not to mistake the signs of a temporarily overstocked market for the results of overproduction. In every case there must be a careful investigation of the causes.

Overproduction always has its source in the increased activity of capital and labor. Most often it is due to too much idle capital. On the other hand, unused supply is generally caused by a decrease in the income of the people, just as the price of a commodity which the public is willing

to pay for depends in a measure on the amount of money it has to spend.

Unused supply, like overproduction, needs no laborious investigation to determine its existence. Everyone in the market feels it and has his theory. The only point to emphasize is the danger of mistaking a temporary phenomenon for a permanent one. A temporary 'oversupply' should not frighten one from the market, but reliable evidence of overproduction or of a chronic failure of the market to absorb the supply should be the signal to withdraw.

### **Domestic Supply**

The determination of the nature and quality of domestic supply is similar to that of demand. But it is not enough to obtain figures as to the grade of a particular kind of goods on the market and to have at hand the statistical information as to supply. The large-scale exporter should have an intimate knowledge of the character of the domestic supply, such as can only be gained by careful personal examination and notations of the different grades.

### **Foreign Supply**

The exact determination of the original sources of supply in any given foreign country is in some of its aspects a very difficult problem. For practical purposes, however, it is necessary only to find out the extent of each foreign supply, because the principal channels, like those of overproduction, are generally known and easily ascertained. The quality of each grade in the market must be determined by a personal examination of samples.

In some cases it is advisable and even necessary to find out what quantities or to what extent a particular country contributes to the supply of the market. Such information is not always possible to secure because of the fact—already



noted—that every nation engaged extensively in foreign trade, particularly in imports, buys a large amount of foreign products not for domestic use but for export into other countries. Statistical data therefore are of no great value in such cases, and only personal investigation can avail. Information of this character can usually be secured from the dealers of the country in which one is interested. Sometimes it is more practical for this purpose to go among the exporters of the competitor nations.

The quality of goods of a trader's principal foreign competitor should be studied preferably in the competitor's home markets, because the quality supplied abroad may be and often is adjusted to meet foreign requirements; whereas the quality in home markets is more stationary and standardized.

### **Price and Quality**

The price alone at which an article is sold should not frighten the trader from a market if he can supply the grade which is more desirable to the consumer. There may be a plentiful supply of pumps, for instance, but their quality may be generally defective though the prices are low. Poor pumps are better than none; but if one can improve upon the quality he can charge more for his pumps and will be able to make sales by demonstrating that the user would profit more by paying a higher price for a pump that does the work than by buying a cheaper article liable to break down and wear out rapidly.

### **Conclusion**

There are certain principles underlying both demand and supply which the exporter must have constantly in mind. His attempts to gauge the character of either element should be based largely on statistical data checked and confirmed by an investigation of the ground. He should avoid generalization

and apply his tests to each market and to each product. He should go beneath the surface and consider potentialities as well as actualities. He must be able to distinguish between overproduction and an overstocked market, avoiding the one and taking his chances with the other. He should familiarize himself with the quality as well as the quantity of the supply of his products both from local and foreign sources, but he must remember that neither source gives a conclusive measure of the actual demand.

It is well to know whether the supply or demand is increasing or diminishing, whether it is elastic or more or less stationary. If the demand is steadily decreasing there may be a reason which, if ascertained, would make it wise to keep out of the market. A selling campaign cannot be prosecuted with certainty of success in a territory where no definite data are available as to the volume, nature, and quality of demand and supply. It is always to be remembered that the final approximation of these essential elements is best fixed by personal investigation. In the case of demand the investigation must be conducted in the market itself; in the case of supply, in the countries from which emanate the main currents of supply. If the trader's chief competitor is England he must go first to England for the basic information, and if the data secured there does not deter him from his purpose, he must then go into the market he desires and there complete his information. Only when this mass of information is embodied in his chart is he ready to proceed with extended effort.

## CHAPTER VI

### THE PSYCHOLOGY OF THE FOREIGN MARKET

#### Basic Principles

It is difficult to outline any definite procedure for the investigation of the structure and psychology of the foreign market. From their nature, psychology and structure are closely interwoven; each reacts on the other. Both elements vary in different countries and even in the different markets of the same country to the extent that the history, the temperament, and civilization of the peoples vary. The domestic market is comparatively homogeneous, but abroad heterogeneity is the rule. Here is one of the difficulties that the investigator must anticipate.

In his study perhaps the first essential is to avoid either generalizing or judging one market by another; to learn to discriminate between facts and fancies, realities and illusions, apparent and real values. There are already too many illusions—academic, governmental, mercantile, and financial—concerning the foreign field.

The foreign investigator may never be able to achieve the native's insight into the wants of a people or his intuitive knowledge of their standards and mental processes. The best that the foreign observer can do is to live with the people of his prospective market until he has absorbed their psychology and has a real understanding of the structure of their market and of their ways of doing business. There are, however, certain fundamental economic doctrines which he should have in mind because of their particular bearing upon the development of foreign trades.

### **Commodities Pay for Commodities**

Commodities pay for commodities or exports for imports, and in the commercial dealings between nations only a small balance is settled by the payment of precious metal.

The general tendency is to exchange the produce of one country for that of other countries at such value that the sum of a country's exports shall pay for the sum of its imports. Here, however, it should be remembered, first, that although we may speak of debts between nations, as for instance the indebtedness of France to the United States, this is merely a convenience of speech. In reality the debt, save in such exceptional cases as the direct war loans of the Entente Powers, is not of one state to the other, but of a multitude of Frenchmen, for instance, to a multitude of Americans. Such expressions as "international indebtedness," or "balance of indebtedness," in favor of or against a country, mean simply the balance of a mass of individual accounts.

Secondly, it should be borne in mind that when we speak of the "balance of trade" this phrase also is largely a figure of speech. In reality, the so-called balance of trade is a delusion. In the first place, it is difficult, if not impossible, to ascertain with any accuracy the exact relationship between exports and imports. When there is a long frontier it is well-nigh impossible to include in the estimate everything that passes over the border. There is also no rule of uniformity in the method of calculating the values—whether values should be calculated at the place of export or import, and whether the cost of transportation should or should not be included.

But even if every article could be definitely and honestly recorded on the "balance sheet," the statistics themselves would need further interpretation. As has been noted, while some European countries habitually import more than they export, a considerable part of their imports is used for export. This the governmental statistics do not usually show.

**Commerce Rests Upon Comparative Needs and Supplies**

A second fundamental economic doctrine is that international commerce rests upon the comparative needs and supplies of the trading countries, or to use the technical expression, on the conditions of comparative cost.

A simple illustration of comparative cost may be found in the case of a mechanical engineer who employs a man to care for his furnace. He could save this money by attending to his furnace himself, yet he prefers to leave the furnace in charge of the man, because it pays better in the end for him to attend to his technical business and leave the furnace in charge of someone else. He gains in that way more than he loses.

In this law of comparative costs and of reciprocal demands lies to a great extent the explanation of the phenomenon of foreign trade. In applying this law, however, and in studying the actual effects of foreign trade in any particular country, it is necessary to consider that country independently of the rest of the commercial world, otherwise one is apt to arrive at an erroneous conclusion. Whether or not France sends any silk to Russia, and the quantity she may send, depends upon the prices obtainable in other countries. These prices, in turn, depend upon the causes, both general and special, which operate throughout the commercial world. In other words, the markets of the world are interdependent, and the collective influence of all effects the prices in each particular locality or market. This fact must never be forgotten in studying the prices and other conditions in any market.

The growth of wealth and population increases the quality and quantity of demand, and the growth of labor and capital increases the supply. The changes in the conditions of supply are usually the changes in the rates of wages and in the proportionate increase of profits, which are the universal elements in the cost of production.

When foreign goods sold in home markets are of a kind which can be produced at home, it shows that either the foreign goods are cheaper or else the home producers did not produce the quantity or kind needed. When the foreign force of supply has spent itself and competition sets in, the profits tend to vanish and the greater the competition the more fluctuating will be the price. In a highly organized market the prices for the same commodity are more uniform; in a primitive or disorganized market there is always a marked variation of price for practically the same commodity.

### **Conditions of Society Determine Status of Market**

A third fundamental maxim of foreign trade is that the conditions of society in a given country are the most influential factor in determining the status of the market in that country. For this reason one cannot correctly pass upon a trade situation in any one country without a painstaking and careful study of the political, economic, and social forces which operate there and which translate into commercial forces the feelings of the individuals who compose these social groups. A knowledge of conditions in a given country is indispensable to commercial success therein. The need of studying the market's psychology and structure, therefore, is manifest.

While the determining factor of trade is the rate of profit obtained, the basis for the demand for an article is the utility assigned thereto. Estimates of utility may change according to changes in fashion, education, morality, or law, and it is necessary to be constantly in touch with the varying conditions in the trading country including not only the prevailing customs but the commercial ethics of the community as well.

### **Structure of the Market**

It should be clear that anyone venturing into the foreign field must give close study to the organization and structure of

each particular market; that he must learn what classes of dealers can handle his goods to advantage, and know the function and characteristics of each class.

One important difference between foreign and domestic trade is that in foreign trade it is for the most part the dealer, not the consumer, who originates the demand. For this reason the dealer—and with him should be included the commission man and the jobber—is a far more important trade factor in foreign than in domestic trade. At home the consumer will generally buy the article which is well advertised; abroad the dealer is usually the chief factor in the introduction as well as in the distribution of new merchandise. He is the local missionary of the world's trade, and the medium through which the consumer is educated in the value of a new or a different kind of merchandise. It is sometimes well for the exporter who cannot undertake an expensive campaign for the introduction of his goods, to make arrangements with the local jobber in the foreign country whereby he assumes the expense.

There are many strange details of commercial structure. In China, for example, foreign business is transacted exclusively through a third party called a *fostook* or *comprador*, who is a relic of the old *ollo* or *hong* custom, and who is a character that enters into every possible phase of life in China. He is the most important person for an importer or an exporter to know, for he takes the place of the commercial traveler, buyer, advertising agent, credit man—in fact, he does everything. His connections and his influence with local merchants are unlimited, which makes him the controlling lever in the trade of China where precedent and superstition are still inseparable elements in commercial as well as in social life.

### Psychology of the Market

Perhaps the most important element of the psychology of the market is the attitude of the peoples or the governments of

two trading countries toward each other. Nearly every country has certain favored nations with which it prefers to trade. The reasons for this distinction are numerous and sometimes very complicated—tradition, similarity of language, long-lasting political friendship, religious kinship. These factors, which scarcely enter into domestic commerce, where he who has the best goods and the lowest prices generally wins, play an important part in international trade.

In every country, trade is to a great extent regulated by financial interests. If the people of one nation have large investments in a certain foreign country, their financial hierarchy comes in close touch with that country's banking and other moneyed interests. These influences stimulate the extension of trade between the two countries because both are greatly benefited thereby. Since all trade is a mere exchange of commodities, one kind paying for another, the people who buy much will also sell much. Ships cannot afford to go out full to come back empty.

### **Reciprocity Significant**

Reciprocity is, of course, significant in the psychology of foreign trade. The people who think only of their own side of life never get very far in international dealings. As a rule a man is more wary of a foreigner than he is of a person of his own nationality; and he is likely to scrutinize every act of a foreigner who seeks business connections with him. Neither is he ever slow to note any mercenary propensities. It is most important to bear in mind that he who takes must also be able to give, for one cannot get something for nothing if that something is worth having. A foreign customer must be treated with at least as much consideration as the domestic customer. To consider only the immediate and narrow personal advantage is absurd and never pays in the end. Every nation has its susceptibilities. Nations have the same likes and



dislikes as individuals and the trader must learn them. The admiration or sympathy of the people of one nation for the people of another is a great commercial advantage. So is national prestige.

The theory that foreign trade is the result of differences in comparative cost is limited in its application by various hindrances to trade and by the competition of different countries. On the other hand, the differences between foreign and domestic trade should not be too much emphasized. Unless it is clearly perceived that the movement toward an increase of trade relations between nations is accounted for in the same way as the growth of domestic trade, serious mistakes are likely to be made in interpreting the facts in foreign trading and in judging matters of commercial policy.

### **Civilizing Influences of International Trade**

International trade has great humanitarian, political, educational, and social, as well as commercial aspects, for the more it is developed the more closely will the nations become knit together and the more alike will be their civilizations and their ideas. As time goes on, the conditions of international trade will resemble more and more the trade conditions existing within the principal civilized countries. If the world is ever to become a federation of states devoted to the pursuit of peace and happiness it will be largely due to the development of international commerce, through the basic understanding of nation by nation and the vigorous, healthy interchange of markets, resulting in international structural growth.

## CHAPTER VII

### THE STATUS OF THE FOREIGN MARKET

#### **Knowledge of General Conditions**

The exporter's study of his prospective market cannot be considered complete until he has investigated the conditions which surround it. He must know not only the details of supply and demand and the general points of structure, but also the status of the market both within and without its own country. The principal lines of study are the following:

1. The political status
2. The governmental status
3. The legal status
4. The economic status
5. The financial status
6. The social status
7. The commercial status

#### **The Political Status**

The political status of a market has two aspects—the international and the domestic.

To understand the international status the prospective trader must determine the state of cordiality existing between his country and the country with which he proposes to trade. On this point the information can be secured from the Department of State. He should examine the treaty rights to find whether or not they contain the "favored nation" clause. Most important of all are the tariff schedules, so far as they refer to his products. If the schedules are very high he may well consider whether or not they are prohibitive.

There are several kinds of international complications the existence of which—if they do exist—should be determined before the exporter ventures into the new field.

For instance, there may be a reciprocal arrangement with some other country by virtue of which the country under investigation levies no import duties on certain articles supplied by the preferred nation. Should the exporter find his products in the list of such articles he may decide to withdraw rather than try to compete under the handicap of an import duty which is not paid by the preferred nation.

The internal political situation of the country is always deserving of study and has an important bearing upon business conditions. If the government is stable and if there is intelligent and friendly co-operation between political parties, the conditions may be considered favorable. If the political atmosphere is highly charged and the stability of the government is doubtful, the conditions for the establishment of any permanent business are far from favorable.

One should learn something about the political structure of the foreign country and its bearing upon trade in general and international commerce in particular. Especially should the exporter decide whether or not political conditions or contingencies can affect his business, and if they can, how and to what extent. Generally speaking, an international trader must acquire an intimate knowledge of such conditions pertaining to or prevailing in the country in which he is to seek trade.

The study of the political status of a nation should include a study of its institutions. The observer should learn the degree of religious toleration. If there are privileged classes he should know their attitude toward the common people. All this may be of great importance to the trader in his particular line. In Russia, for example, semipolitical, co-operative associations called "Zemstvos" are an important factor

in the commercial life of the country inasmuch as all of them give close study to various lines of products, especially agricultural lines, and to a great extent make or influence the purchases for the community over which they preside.

If any countries still retain censorship, it is well to know what formalities one must be prepared to undergo before distributing commercial literature, such as catalogues and general advertising material.

### **The Governmental Status**

Every government is a purchaser of certain commodities to a greater or lesser extent, and some governments are very large buyers. It is well, therefore, "to know the ropes." This not only means that one should learn what official or officials to approach in order to sell or buy from the government; it means also that one must know the character, habits, usages, temperaments, and tendencies of the officials in a particular country so as to deal with them successfully.

The government of every country has its distinct political structure as well as the usual legal functions. It is advisable to know both in a general way, and to be familiar with their policies. If, for instance, one is interested in the sale of motor vehicles, it might be well to know beforehand whether it is the policy of the local governments to build good roads and to tax passenger cars. If one is interested in the sale of agricultural machinery, he should know how much encouragement the government affords to the agricultural interests of the country.

### **The Legal Status**

Upon the laws of the country rests the security of commerce. If the laws are bad, business is likely to be bad. Every exporter to be thorough and scientific in his foreign trade should familiarize himself with the fundamental legal requirements which relate to his business in the country with

which he proposes to trade—especially those legal principles with which he is or will be obliged to come in contact every day. He who makes a bill, a note, or a draft, should know something of the commercial laws involved—whether protest is required or not and within what time after maturity the note must be presented for payment. In some countries the principal is responsible for all the business acts of his agent; in other countries the registration of all business concerns is required under severe penalties. Some countries demand a license from commercial travelers. There are different laws regarding partnerships and different requirements governing corporations. No knowledge connected with international trade is complete without some knowledge of the commercial law of the country with which one has or expects to have constant business dealings. Yet there is no knowledge which is more neglected, because many people have not yet learned that an ounce of prevention is worth a pound of cure.

### **The Economic Status**

As international trade is based upon the exchange of commodities, a country which produces nothing of value for export, cannot be of great value as an importing country. It is advisable to know the principal sources of the wealth of the country, as such information will not only help to approximate the value of the field as a trading center, but it will also assist in estimating correctly the demand for any particular product.

The knowledge of the economic conditions of the country and its people may likewise be obtained through the study of labor conditions. The prevailing scale of wages, the number of men employed in various lines of enterprise, the degree of thrift as shown by savings and bank statistics (though in Russia and China people do not usually keep their savings in banks), the number of paupers and unemployed—all these are important. One should learn the nature and the number of

industries and the amount of capital invested in such enterprises. He should know also the state of the distribution of wealth, the amount per capita, and the principal sources of national wealth. This is purely statistical data, easily obtainable.

### **The Financial Status**

The exporter should know beforehand if there is much governmental interference in trade, if money has an inflated value, if the banks are poorly regulated and unsafe, if panics are frequent—in short, if a country is unsound financially. The only safe method of trading in such circumstances is—cash in advance.

The commonest sources of statistical information will show the value of a country's currency, its revenues, the amount of national debt, whether the interest is being paid or not, the extent of the banking business, and the value of weights and measures—all of which are good indicators of the degree of financial stability.

Gold and credit substitutes for gold, which in normal times are accepted with equal readiness, like other commodities, are sent to the dearest market. The dearest market for gold or money is not the market where the prices of commodities are the lowest, or the exchange value of gold is the highest, but where the rate of interest is the highest.

The ordinary fluctuation of the foreign exchanges about the gold par affect foreign trade only indirectly on the adverse balance of indebtedness, but it may affect the exchanges directly and effectively by raising the rate of discounts. Countries of different monetary standards in which there is no limit to fluctuations may present a serious situation in hard times.

As a general rule, it is better to leave questions pertaining to the currency problem and exchange to the judgment of

the bankers. From them one can also ascertain whether or not the financial conditions in the country are sound, and warrant the trade.

### **The Social Status**

A person who knows nothing of the ways of the people with whom he proposes to deal, their manner of living, and their temperament, cannot succeed as a business man among them, and is certainly not qualified to draw plans for a commercial campaign.

There will always be those who think they can go into a foreign country and do business on their own terms and in their own way, but the international business man must learn, first of all, that he cannot change the habits, customs, and methods of the people with whom he is coming to trade, and that he must adapt himself to their particular civilization. The closer he gets to them and the more in sympathy he is with them, the greater will be his chances of success. To be successful he must first know how to make himself liked.

Much is said about national susceptibilities and racial characteristics. They must be studied separately in each case. Broadly speaking the races may be divided into three categories, according to their temperaments. These classes may be called: the emotional, the phlegmatic, and the eccentric.

To the emotional group belong all the South American and other Latin races, and the Slavs, including the Russians and Poles, Czechs, Jugoslavs, Serbians, Bulgarians, Croatians, and Ukrainians. These people are exceedingly sensitive and prompt to take offence if not handled tactfully. As a rule, they are ready to forego business advantages if they feel that they are not approached or treated properly.

The principal peoples of the phlegmatic class are the British and the inhabitants of the United States. These peoples are not so particular as to how they are treated so

long as they gain a commercial or financial advantage. They do not relish an insult, but they are ready to overlook it if it should seem to them good business policy to do so.

In the class of eccentrics might be placed the Oriental races. These people may be said to possess a mixed temperament. They frequently have the qualities of both the phlegmatic and the emotional temperaments. They are eccentric only when one tries to get something out of them. It is otherwise when they are trying to get something out of someone else; then there is no limit to their persistence. Although most of the Oriental races—except the Jews, the Japanese, and the Syrians—seem to lack persistence, it is not that they do not possess this quality, but that they do not care enough for money to exert themselves to the utmost for its acquirement.

In cases where one is desirous of creating a demand for a product among a certain people, more than a casual study of their characteristics should be undertaken—their desires, their habits, and their mode of living then require close attention.

The development of a new demand involves advertising, as well as a close study of national wealth and its distribution. The press of the country must be studied and the best mediums for advertising selected. In this connection one should not forget to look up the statistics of illiteracy. If a large portion of the people cannot read, the advertising policy will have to be adjusted to suit the conditions. Under such circumstances it may be possible to use posters and other pictorial appeals to advantage. The subject of advertising in foreign trade is discussed in Chapter XXX.

### **The Commercial Status**

The investigation of the commercial status of a country concerns itself with the structure and psychology of the for-



eign market and with all the technical details which pertain to it. It includes the status of local supply and demand, quality, prices, current rates of exchange, possible uses of the article to be sold, the purchasing power of money, the cost of labor and materials, commercial customs and trade methods pertaining to sale, credits, demands and acceptances, and the volume, quality, and extent of competition in a given line.

Under this heading will come the study of the type of organization adapted to business with a particular country and whether the particular business should be transacted through local jobbers, through agents and personal representatives, or through branch offices.

Every exporter realizes the necessity for the study of the commercial status of the prospective market, but only a few see the value of investigating the other conditions which have been pointed out. The man who is thorough in his business methods and who leaves undone nothing which should be done, will give to each of the lines of inquiry here suggested his best thought and study.

## **CHAPTER VIII**

### **PRINCIPLES OF INTERNATIONAL DISTRIBUTION**

#### **Factors of Distribution**

Any general selling operation by which marketable goods change ownership and pass into the hands of a considerable number of people is called "distribution" in the commercial sense of the word.

The distribution of commodities is an intricate subject. It involves so many principles and is so closely correlated with every conceivable economic factor that it is out of the question to consider it here in any but its most fundamental aspects from the standpoint of the producer.

The factors of distribution are many and complex. Among them must be included the problems involved in moving the commodity from the place of production to the ultimate consumer, also its storage in the warehouse, and the cost of its display in the retail store. All the details of its several transfers of ownership until it at last reaches the retail customer—everything that goes to make up its selling cost which of course includes the cost of advertising—is properly charged to distribution.

The elements involved are both physical and psychical. The physical elements are relatively simple; the psychical are involved and to them are due the complications that make distribution so expensive, so difficult, and in a sense so inefficient.

The principles of international distribution are the same among all peoples and among all classes and conditions of humanity at all places where trading is carried on. On the

one hand they are governed by economic laws and, on the other hand, they are developed by the element of fortuity in isolated cases and among individual traders.

### Distribution and Trade Channels

Nevertheless, distribution in the last analysis can be most successfully accomplished through the regular trade channels.

The domestic channels of distribution for the American manufacturer are illustrated in the following diagram:

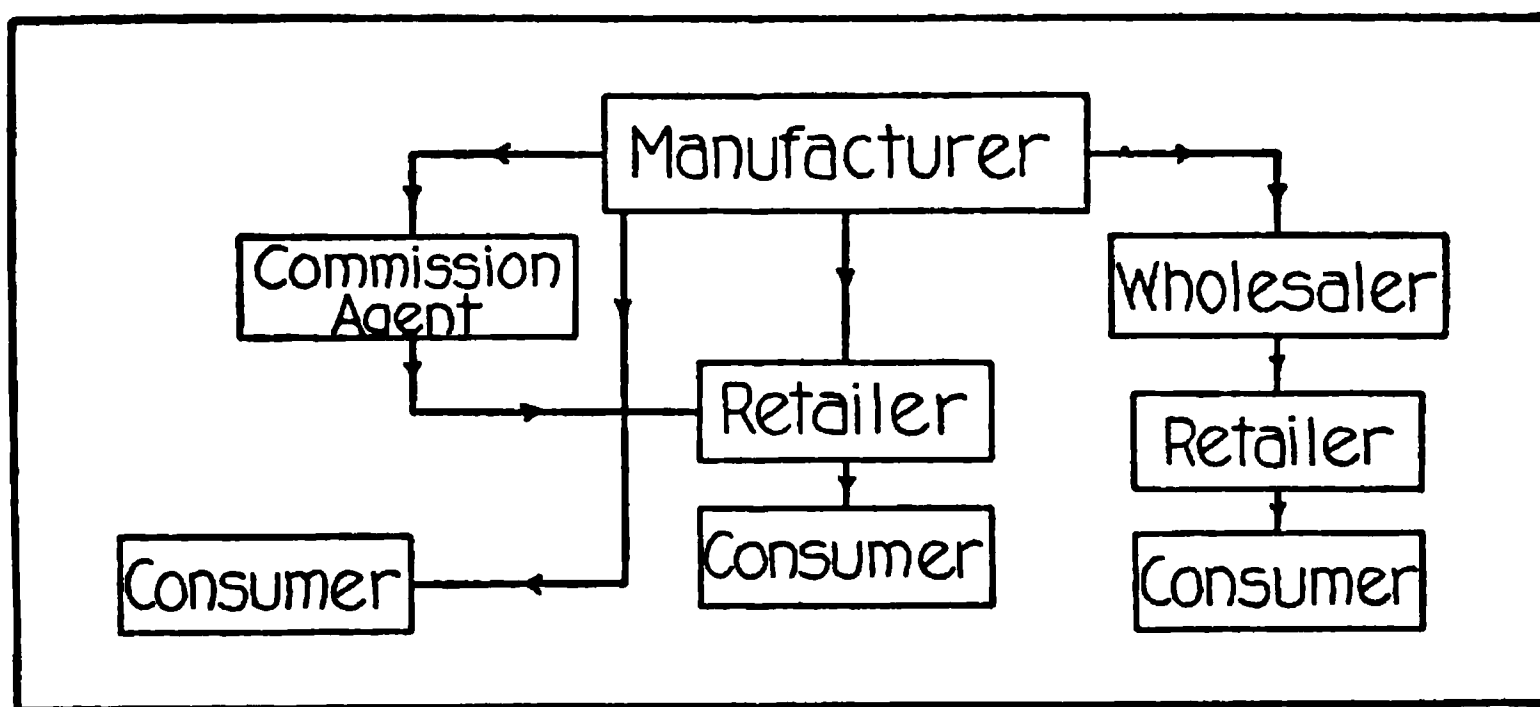


Chart Showing Domestic Channels of Distribution

It is obvious that the more intermediaries there are intervening between the manufacturer and the consumer, the greater the cost of distribution.

### Intermediaries in Foreign Trade

In foreign trade the intermediaries are, of course, greatly increased. The accompanying diagram illustrates the chief factors of distribution and their various auxiliaries involved in the process of transferring a commodity from the producer in one country to the ultimate consumer in another.

It will be seen that seven groups of factors intervene between the producer, I, and the consumer, VIII. Groups II and III represent two general types of collectors; IV, V, the

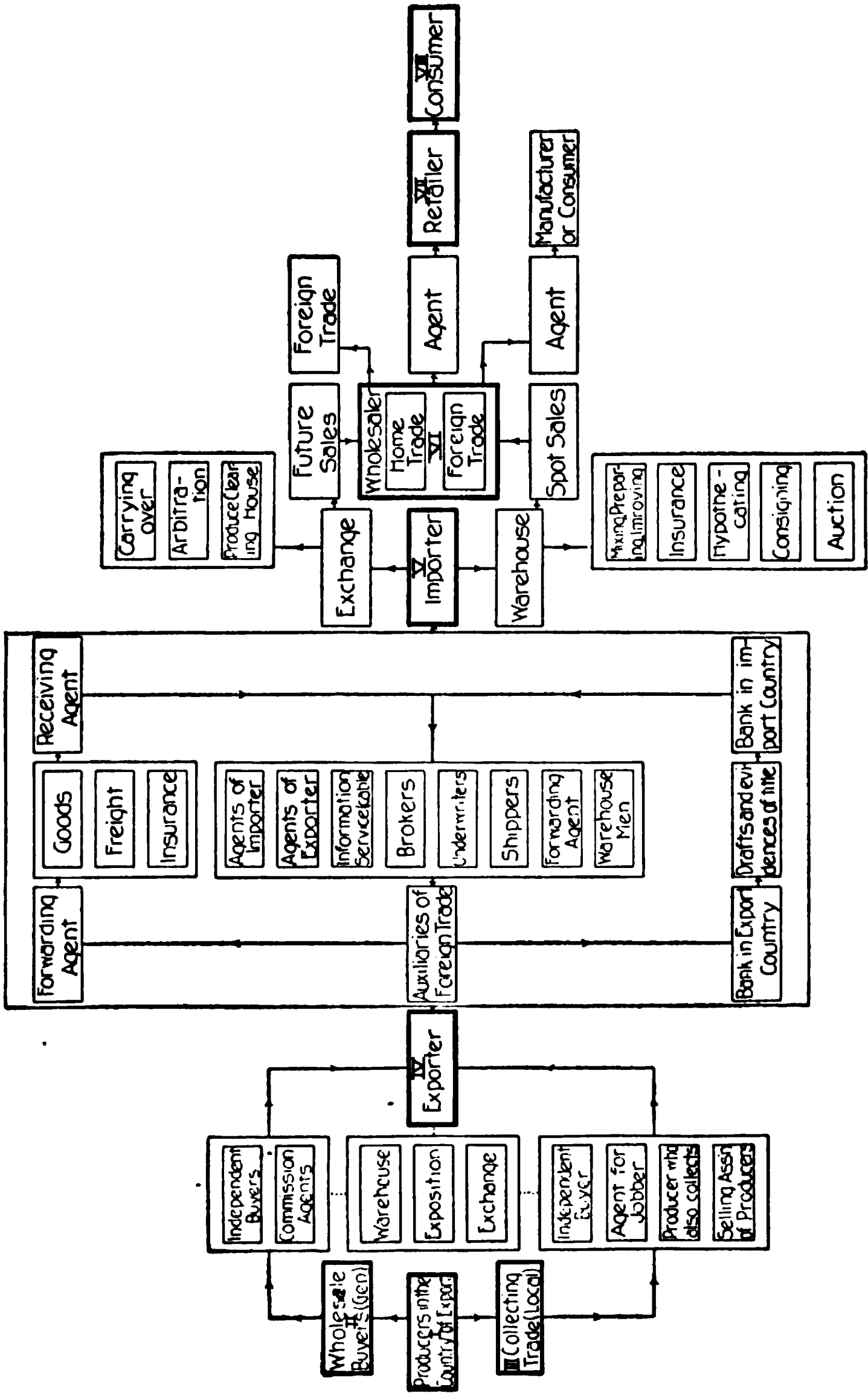


Chart Showing the Factors of Distribution Involved in the Export of a Commodity From One Country to Another

foreign trade intermediaries; and VI and VII, the distributing trade in the importing country.

The traders are of two classes, those who assume title to a commodity, buying and selling it at a profit, and those who sell only their services. The latter factors owe their existence to their co-operative efforts and to the benefits they confer. Only when they cease to be worth what they cost will they be eliminated. Direct importing and co-operative methods may reduce their number somewhat, but in the meantime their presence is felt in the increased cost of the commodity.

### **Fixing the Price**

It is evident that the selling price abroad must reflect the greatly increased cost of distribution. Selling cost has been estimated as averaging from 20 to 35 per cent more abroad than at home when the same method is followed. Even under the general merchandising plan the increased selling cost is still much higher. In fixing the retail export price the exporter must know his own costs and must allow himself a fair profit.

Generally his price will be higher than his European competitor's, but that need not necessarily exclude him from the market. A high price will always connote a superior article in the mind of the consumer. A slight difference in cost is not such an important element to the man who has also to consider the difference in transportation charges, the quality of the product and possibly export duties as well. There are other ways of offsetting price differences and, as will be pointed out in Chapter XXXII, cost is not always the determining factor in effecting a sale.

### **Comparative Costs**

Individuals find it most profitable to confine themselves to their particular functions and to have someone else do the

less productive work. The exporter may himself be an expert packer, but he will make more money if he spends all his time in directing his business and leaves the work of packing to a moderately paid subordinate. So it is with nations. If in Spain it costs ten times as much to produce a barrel of flour as a yard of cloth, while in America it costs but six times as much, it is to the advantage of the Spaniard to confine himself to making cloth and to purchase his flour from America. So long as the comparative costs of producing goods vary among the different nations of the world, so long will there be international trade. This is the principle commonly referred to as the law of comparative costs.

As stated by Bastable in his "Theory of International Trade": "John Stuart Mill's conclusion, in his first and soundest exposition of his theory, is that the ratio of exchange in the case of commodities which are subject to international trade depends on the comparative intensity of the demand on each side, always of course operating within the limits set by comparative costs. . . . This Mill calls the first elementary principle of international values."

The benefits of international trade come from the advantage which the nation derives in producing commodities in excess of its own needs which it can exchange for those of other nations unable or unwilling to produce like commodities. It may be to the advantage of a nation to purchase from another nation commodities which it could manufacture itself, if, as may well happen, it can purchase imports with exports more cheaply than it can manufacture them.

The climate and resources of a country determine whether or not it is advantageous for it to obtain the needed products of another country by exchanging its own products for those of the other country instead of producing them itself.

The apparent handicaps of nature and industry may, however, be reduced if the country will develop to the utmost,

through organized and intelligent effort, such advantages as it may possess. This course calls for a highly developed economic organization worked out along the lines of production, transportation, merchandising, and banking. The country attempting such industrial expansion must produce her products at the lowest possible cost through the co-operation of her capital, labor, and men of science; she must have every facility for transportation on both land and sea; she must know how to sell her goods abroad; and her foreign trade must be adequately financed by an organized system of international banking.

Such a nation will be able to meet the competition of foreign trade under the best conditions. So equipped, the restrictions imposed by comparative costs become fewer and fewer, and it may ultimately come to pass that she may defy nature itself.

### Dumping

There is a class of international distribution known as "dumping," which is the selling of surplus goods in foreign markets for such purposes as stabilization, or to decrease the home supply and thus maintain high domestic prices.

In such cases the goods are usually offered for sale abroad at lower prices than they bring at home. When this practice becomes general it furnishes additional propaganda against a protective tariff, in that the existence of such a tariff enables the foreigner to buy under more favorable conditions than can the native of the country. Dumping is frequently detrimental to the producers of the importing country. On the other hand it sometimes stimulates them to improvements and adaptations that more than offset the differences in price. To avoid dumping certain British colonies have required the filing of non-dumping certificates on the part of the exporter as a part of the export procedure.

**Distribution and Credit**

One may judge the credit of a country by the character of its imports, for they are the surest indication of its financial stability. If, during the borrowing period, the country imports luxuries only, it may indicate an unhealthy condition. But if it imports things necessary for the upbuilding of its industries and the development of its resources, its credit standing is improved.

Thus, if the borrowing country imports chiefly iron, steel, rails, and mining machinery, it is manifestly developing its resources; whereas if it imports largely champagne, spices, and silks, this might show that instead of developing, it is wasting its resources and is squandering borrowed money. Since nations are composed of individuals, it is justifiable to judge the character and conduct of a nation by the tendencies of a majority of its people.

**Distribution and Prices**

Foreign trade is a most potent force in regulating over-production. Hence it is likewise a great aid in keeping prices level. The overseas markets, by absorbing the surplus, keep distribution active and prevent a storage of goods in the warehouses at home that sooner or later must depress prices.

It is the natural function not only of the international trader but of every intermediary between the producer and the consumer so to gauge the extent of demand and supply that the equilibrium between production and consumption is preserved. So long as the channels of distribution are kept open and the markets, domestic and foreign, absorb production, so long will prices remain firm to the benefit of all concerned.

**Maximum and Minimum Efforts in Distribution**

Results are usually proportionate to the efforts made to obtain them, and of two efforts in the same direction the one



which is the more intense will usually produce the greater results.

For example in the case of the automatic method of distribution so popular in the United States in connection with foreign trade, the risk will be small, but the returns from such a course will naturally be small. This method consists in sending abroad some catalogues, in placing advertisements in a few export publications, and awaiting results.

On the other hand, if the manufacturer utilizes a larger number of methods of distribution—if in addition to local advertising and the issue of catalogues he will also send out salesmen, advertise in foreign newspapers, and use the other recognized means of promotion—he will obtain quicker, better, and more certain results. It will, however, require a far larger expenditure and involve a greater risk.

Maximum efforts produce maximum results, always provided of course that the efforts carry with them the greatest efficiency both in conception and in execution, in direction as well as in dynamic energy. Ordinarily if there is no risk, there is little or no profit. Interest on investment is usually highest when the risk is the greatest, while the perfectly safe investment usually commands a low rate of interest.

It is one of the maxims of political economy that a product when sent into a market must encounter the chances of the market, and the capital invested in the distribution of the product must likewise encounter the hazards incident to every commercial effort. In international commerce the hazards relating to distribution are greater than those in home trade, but the rewards are commensurate.

### **Mistaken Methods of Distribution**

Much provincialism is still apparent among the manufacturers in America who attempt to enter foreign markets. Some of them imagine that once a concern has established

itself firmly in the United States, foreign trade will come as a matter of course with little or no effort towards securing it. There are producers who go to the other extreme and assume that to secure one's share of international trade, they must overcome difficulties more imaginary than real. There are also those who think of foreign trade as a costly plaything, which only the richest can afford.

Such notions result from failure to understand the principles of distribution. Sooner or later there comes a time in the life of every progressive nation when its commercial activities become focused on foreign trade. Only now has America reached that stage in its development. For us as for every nation foreign trade is beset with difficulties, but they are relatively no greater than those of any other commercial enterprise when the opportunities for profit are considered.

Perhaps the most futile course is that of the man who sits behind his desk and waits for trade to come to him from across the seas without any appreciable effort on his part. While much of our early export trade came to us in this way, that day of easy profits is over for the time. At the present moment the foreign buyer does not need to solicit his source of supply. The pendulum may swing back to its former place but today it is the producer who must needs employ aggressive methods to satisfactorily market his goods.

### **Acquaintance an Element in Distribution**

Acquaintance will always be a most important factor in determining the extent of distribution in foreign trade. Unfortunately the United States is still misunderstood in many countries. We have been the subject of much propaganda of which many of our own citizens, travelers abroad, and writers at home have been the unconscious agents.

The attempts of foreign competitors in overseas markets to misrepresent us, our political policies, and our goods have

been ably seconded by irresponsible newspaper and magazine correspondents; and also the careless talk of our own citizens has been quoted and misapplied for the benefit of our competitors' interests.

The establishment of American banks abroad, especially in the newer markets, should go far to offset the handicap. The increasing tendency of the exporters to establish branch offices in foreign lands will be of great assistance in this direction. Only when American traders begin to settle in trade centers will the influence of their high regard for commercial honesty and business efficiency begin to be fully recognized.

Doubtless the attitude of America in the great war and in the peace deliberations will do much toward clearing the air and defining our aims and aspirations so clearly that every man can read them. Practical idealism has its place in business as well as in politics and everything indicates that the American trader will be accepted at a higher value in the future than in the past. May he prove worthy of the increased confidence!

## CHAPTER IX

### THE BEST MARKETS FOR THE AMERICAN EXPORTER

#### **Trade Centers**

The exporter will frequently find himself confronted with a choice of several markets, each of which appears to offer equal advantages and possibilities but only one of which can be selected. The nature of his product will usually determine the field of his initial activities. Other things being equal, however, it will be well for him first to establish his connections with the world trade centers before he launches his campaign in any one country or locality.

#### **London**

London is pre-eminently the place where a world trader should locate first of all, if only for the purpose of using it as a laboratory in which to study international trade. Trade connections should be sought there before any other steps for obtaining foreign business are undertaken.

The reason for this is that London has been and may soon again become the center of all international trade. From that center emanates a vast network of commercial activities which reaches every important trading port in the wide world. In London you may meet a merchant from Siberia and a banker from Australasia. You may sell goods there to the man in Calcutta or buy from a house located in Madagascar. That is why no exporter thinks himself of much distinction as an international trader until he can put on his stationery the significant words "London Office."

**Paris**

Of course, Paris is also a great world trading center, but it has more charm for the buyer than for the seller. Nevertheless, Paris ought always to be considered in connection with the idea of establishing headquarters or a branch house on the Continent.

It is easy enough to decide upon the advantages of trade with most of the old European countries, and upon the nature and extent of one's connections in the effort to secure a share of European trade. This can be done in many cases even before a personal investigation on the ground is undertaken, because information concerning the opportunities and possibilities of the "old" markets of Europe as they were before the war, is pretty well known. This knowledge has been well systematized and is easily obtainable from sources which are generally reliable.

**"New" Markets**

The difficulty of choice becomes serious only when one contemplates entering directly upon trade with what may be called the "new" markets. By this phrase is meant either a market which has not yet begun to be exploited to its capacity, or one of those markets which are becoming important owing to their increased commercial activity. Of course, in years of actual age many of the so-called new markets are much older than even the ancient trade centers of London and Paris. The new markets which are particularly interesting the world today are in China, Russia, Latin America, and the newly formed European states.

**China**

China with its enormous population is as yet in a very unsettled condition. Moreover, the commercial demands of the population are few and limited. The giant is still asleep

and the awakening has thus far taken place only in politics. It will be half a century before China will develop the capacity to absorb Western civilization.

Eventually China will offer an opportunity unequaled perhaps elsewhere. For the present, China should receive the most careful attention of American diplomats, statesmen, and financiers, so that when the great opportunity at last arrives the Americans will be among the fortunate people who will sell to modern China—with its four hundred million inhabitants—the commodities that it must have.

As soon as political readjustment is complete, the next phase of China's progress will open. It will be along purely economic lines. China's finances must be rehabilitated and its monetary standard must be reformed. It is along these lines that the American government and people should endeavor to assist the Chinese government.

### **Russia**

Russia in many respects resembles China. Conditions are in every way unsettled. Here, too, the bulk of the population is still asleep, so far as commercial considerations are concerned. As in China a great deal of commerce is conducted on the lines of pure barter, that is, the exchange of commodities without the use of money. The Russian peasants are not unlike the population of China, in that they subsist on a very simple diet, they produce nearly everything that they need, and are satisfied with bare necessities. The luxuries of civilization are almost unknown among the masses of the rural population.

At present, trade with Russia is seriously hampered by political disturbances. A trade tax was put in operation long ago compelling all foreign concerns to pay a proportion of their earnings to the government. But new laws and regulations are coming into effect every day. No one knows now

what will become of Russia. Taking it all in all, despite Russia's great need for foreign enterprise and foreign capital, the outlook is most uncertain and will continue to be so until some stabilization is effected.

### **Latin America**

With the exception, perhaps, of the British colonies, the best new markets for the American exporter at the present time will be found in Latin America, if we exclude the European market in its present depleted state.

In the first place, there is a similarity of government in Latin America and a practical alliance of all the Latin-American republics in their political and commercial aims. There are well-established ties which bind the United States to all the sister republics below the Rio Grande.

The total population of these countries, it is true, is much smaller than that of either China or Russia, but it is fast increasing.

Unlike Chinese or Russian, Spanish and Portuguese—the only two languages that are spoken by the bulk of the population—can easily be learned. The inhabitants of Central and South America for the most part are thoroughly modern in their demands. Nearly everything that they produce we can use, and our finished products of all sorts find a ready market among the Americans of the Southern Hemisphere.

### **Special Lines of Effort**

One way in which we can assist our fellow Americans in the south is by sending our capitalists to help develop their resources—to build railroads, telephone lines, electric and gas works, and to open up their mines and forests. We should send our young men there to study the language and customs of the people and to learn how to fraternize with them. These young men may be expected later to become directors of enter-

prises on the Southern Continent, and thereby serve as the most important link binding forever in friendship the great northern republic with her sister nations to the south. All this is to some extent now being done, but only on a small scale.

In the meantime, the manufacturers and traders of the United States should devise more effective ways for promoting their interests in Latin America. They should form syndicates for the joint development of the markets and resources of the twenty republics. Individual concerns, whenever possible, should send personal representatives to study conditions and opportunities in order to handle the trade intelligently. Above all, various trade associations should be urged to cooperate in the work of assisting individuals and firms to establish themselves in the trade of South America.

### **General Conclusions**

Inasmuch as the scattering of forces is rarely wise, a search for markets too far overseas is not on the whole to be advocated. Here and there a concern will find it advisable to seek trade in South Africa, in Australia, in India, and other far-distant lands, but for a beginning in foreign trade, it is much better to concentrate on one or two near-by markets.

In establishing headquarters abroad, due attention should be paid to the future development of trade as well as to its immediate prospects.

If participation in the trade of Russia is contemplated not only through local agents but by the personal efforts of the concern's own salesmen and agents in Germany, Denmark, etc., headquarters in Paris might be more suitable than in any other trade center of Europe.

In South America one may hesitate between Buenos Aires and Rio de Janeiro, but a wise trader will choose one of these cities in preference to any others in South America.



A firm desirous of the world's trade should first of all investigate the possibilities of the old markets for its line of products. For that purpose a member of the firm should go to London and to the Continent and personally survey the field there. If it is found to be favorable, the headquarters office then should be established either in London or in Paris, not only as a matter of direct business, but also to keep in touch with the markets and competition. The next step should be to go to South America to study the prospects, and if the outlook still appears favorable, to establish headquarters in Buenos Aires or in Rio de Janeiro. When a concern gets as far as that, it will be well under way upon the sea of world commerce.

## **CHAPTER X**

### **THE COMMERCIAL POLICIES OF WORLD POWERS**

#### **The Development of Economic Thought**

The commercial policies of the great nations are the results of an economic development that has been going on for centuries. They have been influenced not only by the history and traditions, the temperament, and industry of their peoples, but they reflect the ever-changing economic ideas of the times. If we are to understand them we must know something of the history of the development of economic thought.

#### **The Ancient World**

In the ancient world the traders were organized locally and their policies were strictly municipal. The merchants of Tyre, Carthage, and Rhodes thought only of the welfare of their respective cities. The commercial policies of the Middle Ages still failed to exhibit any national tendencies and concerned themselves chiefly with the exclusion of all foreigners from participation in local commerce. It was not until the sixteenth century that men began to think and to legislate along national lines. They were influenced at first by the economic doctrine known as mercantilism.

#### **Mercantilism**

Mercantilism was the first serious attempt to explain the circulation of wealth. In their effort the mercantilists were not entirely successful. They confused capital with money and wove into their economic theories many another fallacy. They exaggerated the function of money and failed to grasp

the rudimentary fact that without selling there can be no buying.

They believed that the balance of debits and credits is convertible, and never stopped to consider that a nation may go on for a long time importing goods of greater value than those it exports without exhausting its store of precious metals. They ignored the important truth that many payments are made not in money but in merchandise, and that an excess in the value of imports over exports is often covered by drafts on foreign ports for amounts due to the importing country. They failed to perceive that nations as well as individuals grow rich by producing more than they consume. Their fallacious doctrine that exports must exceed imports in order that the country may be benefited through foreign trade finds supporters even in this day.

They identified the interests of the people at large with those of but one class—the traders. Their theory caused unspeakable rivalries in the seventeenth century between France, England, and Holland, each attacking the other with tariff assaults and reprisals. Mercantilists of the sixteenth century failed to perceive that in refusing the admission of foreign goods as a retaliatory measure, they frequently deprived themselves of products, the loss of which more than offset the supposed economic advantages.

### **Eighteenth Century Laissez-Faire**

In the eighteenth century a reaction arose against mercantilism which resulted in the establishment of the physiocratic system founded by Quesnay, advocated by Turgot, and influenced by the writings of John Locke and Rousseau. These writers believed in the superiority of agriculture over commerce, considering it the sole source of wealth. Their theories were quite the opposite of those of the mercantile school. They believed not in protection but in free trade, and the policy of

*laissez-faire* was their pet doctrine. The theories of the physiocrats were finally crystalized in the works of Adam Smith and David Hume, who laid the foundations of the science of political economy.

### **Nineteenth Century Protectionism**

In the early part of the nineteenth century another reaction set in and the tendency throughout the world began again to turn in favor of tariff. This movement, commencing in 1834 with the formation of the German *Zollverein*, materialized into the modern economic theory of protection, which is largely a policy of encouraging home industries by the imposition of customs duties on imports or by bounties given to domestic producers. Thus the modern nations have to an extent returned to the old doctrine of mercantilism. In recent years protection has become universal and no nation is now without some form of it.

### **Special Policies of World Powers**

The special commercial policies of the nations today are of three kinds:

1. Those relating to the development of a country within its own borders, as exemplified chiefly in its protective tariff systems.
2. Those relating to a nation's maritime policies found in its navigation laws.
3. Those relating to a country's trade expansion in foreign markets, as shown in its devices for the promotion of foreign trade.

These special policies, as well as the general foreign commercial policy of each nation, as discussed at the end of this chapter, are promoted by a variety of methods most of which come under one of the following heads:

1. Diplomatic efforts
2. The display of armed force
3. Private efforts
4. Legislative aids
5. Pecuniary aids (subsidies, etc.)

### **Protective Tariff Systems**

The protection of home industries against foreign competition is now practically universal. France, Germany, Austria, Italy, and the United States are the strongholds of the high tariff system. Holland, Belgium, Switzerland, Sweden, and Norway favor moderate tariffs. England, still influenced by the thought of Smith and Hume, has a very low tariff, thus encouraging the importation of food, raw materials, and semi-manufactured goods, and making the country the great center for the reshipping of foreign products.

A further protective policy which is used to foster domestic commerce is that of levying export duties *ad valorem* on certain classes of goods. This policy has been followed particularly in Turkey, Persia, and Servia. Some countries levy special export duties for special purposes. Sweden and Norway, for example, levy export duties on wood and timber in order to preserve their forests.

In certain cases particular articles may be prohibited from entering a country at all, either as a matter of public policy based on moral or religious reasons, as opium has been prohibited in China, or for reason of public security, as in the case of ammunition entering the countries of Central America. These are not, of course, matters of commercial protection.

In the United States a constitutional provision prohibits any tax on exports. In foreign countries, export duties are sometimes levied to meet extraordinary expenditures, as when during the Boer War, England placed an extra duty on coal, coke, and manufactured fuel. Some countries collect extra

duty from certain commodities on which they have a monopoly, as for instance, nitrate of soda exported from Chile and cork from Spain. There are duties on coffee, rubber, sugar, rum, molasses, tobacco, nuts, wood, hides, skins, wool, sponges, olives, spices, tea, rice, silk, and precious stones exported from different parts of Asia, Africa, and of Central and South America. Protective export duties are not numerous and are levied only in cases of emergency.

There are also the so-called "transit duties" which are levied upon merchandise passing through one country and destined for another. Such was the case in Russia where transit duties on goods destined for Persia were imposed in order that Russia might be favored in Persian markets. The importation of sugar into Great Britain from sugar-bounty-paying countries, was recently prohibited, the purpose being to protect the domestic sugar producers in certain British colonies and the sugar refiners in Great Britain proper.

Against the bounties of one nation, countervailing duties are sometimes enacted by another. Thus, against the bounties of European countries on sugar, there existed in the United States a countervailing duty to protect domestic sugar producers. As a part of the same policy of protection, a nation sometimes enacts retaliatory duties upon goods imported from another country which has discriminated against its citizens. This was the case between Austria-Hungary and Roumania in 1892-1894, and caused the tariff war of 1893-1894 between Germany and Russia.

### **Navigation Laws**

The commercial policies which pertain to the maritime expansion of a country are to be found in the navigation policies of the world powers and in their laws—as in England's navigation acts of 1651 and 1663 and the registry law of the United States enacted in the year 1789.

Certain countries have aimed to exercise jurisdiction over at least some parts of the seas. Thus Venice at one time controlled the Adriatic, England the waters surrounding its home islands, and the Scandinavian countries the Baltic Sea.

This *mare clausum* policy will never be popular, except with the few nations which maintain it for special reasons. Such nations are never at a loss to present excellent arguments in its defense. The doctrine of the freedom of the seas with equal rights to unrestricted passage for all nations may be expected to form a part of the general policy of all excluded nations until the ideal is attained.

Maritime policy has been promoted by protective legislation in favor of the shipping industry and against foreign competition by levying tonnage fees and custom duties on foreign ships participating in domestic trade, by the restriction of the coasting trade to native ships, and by similar means. The advancement of maritime interests has been accomplished by the policy of ship subsidies. Government aid to the shipping industry before the war was liberally provided by the British, German, and French governments, the latter government being the most generous of the three.

### **Devices for Promoting Foreign Trade**

Trade expansion in foreign markets is usually promoted by spontaneous private action, with greater or less assistance from the government through its laws, subsidies to shipping, its diplomatic channels and consular staffs, the negotiation of favorable treaties, etc. The spontaneous action of private interests which seek on their own initiative an outlet for their surplus products or for their commercial activities in other ways, is the most potent factor in trade expansion and in the conquest of foreign markets.

In spontaneous trade expansion abroad and the promotion of the overseas commerce, private organizations are of great

assistance. The American auxiliaries to the promotion of foreign trade will be discussed in a subsequent chapter.

In this connection it is interesting to note the influence which the German *Kartels* have exercised upon foreign trade in general and the American export trade in particular. By means of these combinations of exporters the Germans were able to regulate trade and to offer a solid, organized, combined, and aggressive front to the advancement and protection of their interests abroad. By reason of the fact that in America such combinations of exporters were prohibited until the passage of the Webb-Pomerene Act, there have been few great organizations for the purpose of offering combined and effective resistance to competition in foreign markets. Thus the Germans had an additional advantage over this country by means of a device which had not only the sanction of their government but its active support and from the use of which the United States was deprived by its own laws.

### **General Policies of World Powers**

Besides its special commercial policies, each great nation will be found to have a general policy, a policy which is not merely commercial and economic but political as well, its roots lying deep in the national consciousness. For the maintenance of this policy the people are willing often to go to great lengths.

### **United States**

Hitherto the United States has been the exception that proves the rule in this particular. The nearest approach that it has made to such a policy is to be found in the Monroe Doctrine, and in an attitude of isolation and aloofness in international affairs—a policy often harmful to commerce with the rest of the world. What the future general policy of this great country will be is still uncertain but it is to be hoped that out of the great turmoil of international conflict and



negotiation we shall emerge with a definite and wise commercial policy that will largely determine the course of our future history.

### **Great Britain**

The general commercial policy of Great Britain has been for many years to maintain, first its commercial supremacy on the sea, and second the integrity of its colonial empire in all parts of the world. The great war has demonstrated as nothing else could, how supremely successful she has been in both endeavors.

### **Germany**

The policy of Germany, while of comparatively recent origin, was pushed with remarkable energy and ability. It aimed at the conquest of the world's markets and the creating of a strong merchant marine. It was developed along lines similar to the country's military machine and with a similar unscrupulousness and ruthlessness, ultimately degenerating into a policy of military conquest, disastrous failure, and a future of the greatest uncertainty.

### **France**

France before the war seemed satisfied with the cordial and preferred commercial relations which it had gained solely through its diplomacy. The nation had strong colonial ambitions and was seeking to develop its merchant marine through subsidies. It is impossible at this time to forecast her future aims.

### **Other Nations**

It is possible to discuss the general policies of the other leading nations only in terms of the past. With the war all things came to a stop, and it is too much to say that their

general policies may be expected to resume their former directions after the world reverts to normal conditions. In some instances it is obviously impossible, in other cases a new direction is already evident.

Russia's chief aims were in the Far East, and in the industrial and commercial development of the country through foreign capital and brains.

Austria-Hungary has been in the past bent on extending its influence over the Adriatic, and its commercial aims have been concerned largely with the Balkan situation and its trade aspects.

The Scandinavian countries had a joint policy of maintaining their commercial integrity abroad and of intensively cultivating trade intercourse among themselves and with near-by states.

Italy had great colonial ambitions in Africa but its foreign trade policy seems to have been chiefly in the direction of obtaining toleration for its emigrants and exercising close supervision over its subjects in all countries, to the end that if its citizens should not return to their native land after they had made their small fortunes abroad, at least that they should not fail to contribute their quota to the welfare of their relatives at home.

Japan's immediate policy was concerned with the Far East and to obtain equal rights for its citizens everywhere. Its principal aim is practically to monopolize the trade of Eastern Asia.

Holland's foreign policy was to keep what it had and to look for more in the way of distribution. Holland always has been the abode of a large number of those intermediaries, who are such potent factors in the international marketing of commodities.

Spain was content to rest upon its glory of the past and, like the United States, did not seem to have any strong or

well-defined foreign trade policy, except with regard to Africa and in the maintenance of particularly cordial commercial relations with all the Spanish-speaking countries of the world.

The smaller nations and the oriental countries have had all they could do in keeping their heads above water and in safeguarding their political independence. They could not, even if they would, pursue a consistent foreign trade policy.

The South American countries have an international trade policy which is much the same for all. They endeavor to utilize their diplomatic and consular staffs and to use other means in attracting capital, trade, and immigration into their countries—particularly capital.

### **Knowledge of Special Trade Policies**

The knowledge of the special policies of the country where the prospective market is located is essential to commercial success abroad. A good idea of the general foreign trade policy of the country with which one expects to deal is oftentimes valuable and never useless.

## **CHAPTER XI**

### **LOOKING INTO THE FUTURE OF FOREIGN TRADE**

#### **What of the Future?**

Every sound business is started and conducted with an eye to the future. Today every wide-awake business man, every active or prospective foreign trader is asking himself and others: "What of the future?" We can best judge it by the past. In surveying its vistas by the lamp of experience and in the light of the startling events which have taken place in the recent history of the nations, certain prognostications may be ventured.

In formulating these one has to be guided by the unusual developments of the past few years in the domains of international politics, economics, and sociology. Every business is fundamentally dependent upon politics, which includes law, government, order, and the current ideas of freedom. It is also dependent upon economics, the financial and industrial status of the people, and upon social forces, which produce and which are represented by human wants and desires and, in the widest sense of the word, by social aspirations.

#### **The Individualistic Nations**

The world has been astounded by the recent socialistic upheaval in Russia. This phenomenon is too vast and momentous for discussion here. Its occurrence, and the fascination of this sort of sudden social transformation for a certain type of mind, will have the effect of arousing the rest of the world to strenuous preventive measures. There is the best of reasons to believe that the most potent factors of the

peculiar and radical social revolution in Russia were the oppression, poverty, and ignorance that then prevailed.

The civilized and individualistic nations of the world realize this and are making strong efforts so to improve and better the conditions of the working classes that the appeal of Bolshevism will fall dead on their ears.

### **Higher Standards of Living**

One certain result of this agitation will be that the working classes of every country will attain to wider participation in politics and industry, and will secure greater privileges and a greater share in the earnings of capital. The average man in other nations, as well as in our own country, will have more money to spend, he will provide himself and his family with greater comforts, and he will be able and eager to purchase luxuries to the extent of his earnings. This translated into the language of foreign trade signifies that the average man abroad will want every commodity and luxury which the average man in other countries may have and which he has not and that also he will be better able to pay for them than ever before.

What the present labor unrest means is that both soldier and worker have glimpsed higher standards of life and living and that for themselves and their families they mean to hold fast what vantage ground they have gained, and strive for more.

It also seems as if the more intelligent capitalists appreciate this attitude of the workers and sympathize with their aspirations for better things. Under these circumstances it is likely that the world will see a new order in which the demand for the necessities, the comforts, and the conveniences of civilized life will be for quantities and varieties heretofore unknown in the history of production. The markets of the world will be enlarged and extended beyond precedent and

the opportunities for the merchant in foreign trade will be multiplied marvelously.

### **The Breaking Down of Barriers**

The increase of demand, the expansion of trade, and the resulting interchange of ideas and intelligence will have another momentous effect. The economic co-operation and international exchange of commodities will tend to break down the hindrances and obstacles that now exist. Like water seeping through an obstructing wall, increasing volumes of trade will disintegrate and break down the barriers that now obstruct and make trade difficult.

Hitherto the interchange of commodities between the nations of the world has been hampered by lack of uniformity of laws, by high tariff and other protectionist barriers, by preferential treaties (both secret and open) and by governmental interference with transportation and selling methods. If these hindrances to free commerce are to be done away with and the nations of the earth are to be allowed liberty to compete with each other on equal terms throughout the world as they do in their own country, the impetus given to foreign trade will be tremendous. Such a course is the logical result of the now visibly developing *rapprochement* of the people of different races in every part of the globe.

### **The Present Economic Situation**

The United States is a large creditor of the world's strongest nations. She has made a very substantial contribution towards the world's freedom from autocratic and militaristic dominion. Many small nations are grateful to her for their liberties.

The economic situation of the world from the standpoint of finance is that smaller nations are financially obligated to larger nations and many of them are obligated to the United

States of America. If there were no other reasons the world sentiment and the world financial indebtedness in our favor would be sufficient to obtain for us just concessions to our exporters, from every nation which sided with the Allies.

These, however, are not the only reasons. What we gave, we gave. It belongs to the past. Sometimes a gift or a loan is gratefully received and then quickly forgotten. But what we are yet to give is what concerns us. The world has been hungry and almost naked for years. Many small nations have suffered slavery for centuries. The world wants to be fed, clothed, and enabled to enjoy its newly begotten freedom. It looks to America for assistance, to America the great hope of humanity, the ever-constant friend of the oppressed, America basking in affluence, blessed with riches never dreamed of even by the ancient kings. And America is expected to respond kindly and generously, if not lavishly. The necessity laid on the nations of the world to come to America for that which they need will open up channels of trade that if we do our part need never afterwards be closed.

There will be for some years to come a great multitude of buyers in every country. They will clamor with outstretched hands for everything this country has to sell. In the beginning they will have but little money; not only their governments but most of their financial and mercantile institutions will beg for credit. Their natural resources—mines, forests, fields—as well as their municipalities, railroads, and industries, all will need capital for development. Here is the unparalleled opportunity in all history for one nation not only to do good to the rest but in doing it to prosper and accumulate wealth and economic power.

### **Government Aid to Trade Expansion**

Our government should arrange to extend credit and other facilities to foreign peoples. It should provide the most favor-

able business conditions for our bankers, our financiers, our manufacturers, our exporters, and for all other national factors having any dealings of an international character. Our commerce should be placed in a specially favored and privileged position with every people who desire to avail themselves of our national economic aid. If this is done we shall have another potent factor in our favor.

### **Sociological Aspects**

It is easily seen that the sociological trend of the modern world points also most auspiciously in our favor. This is, if not a new, at least a renovated world in which we are now living. A glance at the map of Europe shows countries scarcely heard of in recent years—Bohemia, Poland, and Ukraina. The dead have risen, impelled with new life and the vigor of youth. These countries need a guide, counselor, and friend, as much as they need economic assistance. They admire America; they are most grateful for the help it rendered to them. They want us with them in preference to any other nation, for our ideals are their ideals.

But this is not all. For generations the people of these races have been migrating to America until we number millions of them in our citizenship. These millions, too, are impregnated with American ideals. Many of them will go back to their old homes. Is it not natural to suppose that they will carry with them a love for America and an appreciation of American civilization, while those of their fellow countrymen who remain here will inevitably add their influence in our favor?

Such signs as these speak one language and point to one conclusion; American civilization will be the most favored civilization among the newly created nations of the old Europe. In the language of trade this means that, by adopting our ways and our methods of life, the nations under dis-



cussion will want all the material blessings of our civilization which we have on sale. Their social aspirations will be akin to ours and our civilization will be widely emulated.

If this is true in one respect, it may be true in other respects. If they want our products, they may be willing to accept our methods of distribution. Intense commercial activity is bound to come and each nation will become a veritable beehive of mercantile life. If we can go into these new countries and install our methods, there will be willing hands to assist us and willing minds to follow us.

The democratization of the entire world in which the American civilization will be a very influential if not a predominant factor may safely be predicted. Whatever may be the course of world affairs—politically, economically, sociologically—the citizens of this country may rest assured that they will be in a most advantageous position.



**PART II**

**MACHINERY OF FOREIGN TRADE**



## **CHAPTER XII**

### **THE EXPORTER AND HIS STAFF**

#### **World Trade Machinery**

The trade machinery which keeps the world's commerce in motion is composed of certain factors, the functions and interrelations of which must be considered. These factors may be grouped as follows:

1. The exporter and his staff
2. The importer and his staff
3. Foreign trade auxiliaries

The machinery of exporting so runs into the machinery of importing that it is difficult to distinguish the separate functioning of each. For convenience certain elements will be discussed as a part of the exporter's staff which are equally applicable to the importer, and some which might be classed under all of the three heads given above.

#### **THE EXPORTER**

##### **Classes of Exporters**

Anyone engaged in selling goods for export may properly be called an exporter, but in its commonest application the term suggests either the manufacturer who sells his product abroad or the individual or firm selling on its own account or for a third party.

Exporters may be classed according to their functions as:

1. The producer for export
2. The export commission house

3. The export merchant
4. The export agent
5. The co-operative export organization

### **The Producer for Export**

The producer for export may be a manufacturer, or he may be the owner of natural resources, such as mines, oil wells, or forests, or of the products of the soil, such as cotton, wheat, live stock, etc. He may export his product through one of the other export factors or he may do it through his own export department, this latter procedure being, as yet, the exception rather than the rule. International trade in raw material goes on through well-defined channels and requires no intricate export mechanism to handle it. The producer of finished merchandise usually has a more complicated task. Unless he is satisfied with very slow progress, the manufacturer must take definite steps either to push his foreign sales himself or to use other agencies in the trade to that end.

### **The Export Commission House**

The export commission house and the export merchant are usually confused in the public mind. They are not identical. The commission house buys goods for a foreign client and charges a commission for the service; it cultivates trade only in foreign countries, does not deal with other houses, and should not be considered as a broker in any sense of the word.

There are about one thousand commission houses in the United States, two-thirds of which are in New York City. They are of particular importance to the manufacturer, because they handle nearly 70 per cent of all the exports of the United States. In a legal sense they are agents acting for their principal for a compensation called commission or factorage. It is neither legal nor proper for a commission house to receive a commission from both parties to the same transac-

tion, although there is nothing to prevent its also acting as an agent for an exporter in the sale of his merchandise abroad. In fact it often acts both in this capacity and as an agent for a foreign buyer. The commissions vary from  $2\frac{1}{2}$  to 5 per cent.

The large export commission houses of this country are exceedingly useful adjuncts to foreign trade and their activities should not be discouraged. This does not mean that our manufacturers should always depend entirely upon commission houses for their orders as they do now. Any business man with ordinary business judgment and sagacity can see that the orders coming to him through the commission houses will never build for him an independent or permanent export trade. He will also see that usually it will pay him best not to ignore this source of business supply, but on the contrary to cultivate the acquaintance and the good-will of the representative exporters.

### **The Commission House as Buying Agent**

The commission house is the buying agent for foreign merchants; this is its proper function. When it starts to buy on its own account and to send salesmen throughout the world, it becomes a sort of international department store and deviates from its true sphere.

Not infrequently, the manufacturer finds a buyer abroad who will give him an order only through his commission merchant in the producer's country. In that case it is customary to ask the buyer to send a duplicate order to the factory, so as to make sure that the order will be executed according to directions, and incidentally that the order itself will be transmitted to the manufacturer by the local commission house.

There are numerous reasons why a buyer abroad often prefers to deal through the commission house. If he buys much and in a great variety it saves him much correspondence,

expedites matters, and makes it possible to have various consignments shipped on the same bill of lading, with possibly a saving of freight and cartage, to say nothing of trouble. The purchaser is likely to be acquainted with the commission house, which perhaps has a branch in his town. He can look to this house for responsibility if anything goes wrong with the order or the shipment. But perhaps the most important reason of all is that the export house will give him the credit which, in most cases, the American manufacturer will refuse.

There are also certain advantages for the manufacturer in dealing through the export commission house. The transaction is like any other domestic transaction, for the export house is practically the purchaser. The business entails no extraordinary expense, and the manufacturer is always sure of his money as soon as he executes the order.

### **The Export Merchant**

There are very few real export merchants in this country, although they are fairly numerous and important abroad, some of them merely loaning money to importers in foreign markets. Many commission houses stock goods and sell from these stocks and in this sense may be called export merchants.

The more important export merchants sometimes maintain very extensive organizations, having numerous offices abroad, employing traveling salesmen, issuing magazines, and even owning and operating steamship lines. They are always to be considered as acting, not for the producer or the purchaser, but for themselves.

### **The Export Agent**

An export agent does not act for the buyer as does the export commission house, but for the seller, usually charging the latter a commission on all his foreign sales. Generally an export agent specializes in some one line of products, such as



paper, hardware, copper, etc. Most frequently he also confines his operations to a certain locality—some operating exclusively in South American markets, others in the Far East, and so on. In New York City there are a number of successful foreign selling agencies which operate on a large scale, maintaining many foreign offices and having extensive connections among foreign buyers.

### **Co-operative Export Organizations**

There are a few co-operative export organizations which are maintained as the export departments of non-competing manufacturers, but this method of promoting export business has not yet come into its own among the American producers. Nevertheless, in many cases it is not only the best but the only practical method for the extension of export trade. In England, France, and Germany, co-operative selling organizations have been very popular and are doing a prosperous and successful business.

## **THE EXPORTER'S STAFF**

### **The Export Manager**

The export manager is an all-important personage in export trade, and no concern engaged largely in such trade can safely dispense with him. "Export manager" does not fully describe his calling, which is oftentimes more complicated than the title would indicate. His duties depend upon the size of the concern employing him, and, to some extent, upon the trade strategy of his employer.

If the concern is small, the export manager may combine within himself the functions of foreign correspondent, shipping clerk, traffic manager, advertising expert, sales manager, export agent, and eastern manager. Ordinarily he is expected to cultivate the acquaintance of export commission men and brokers, attend to shipments of merchandise at the port of

exit, and occasionally write an advertisement for insertion in some local export publication. This is his usual work, not because his profession does not call for a larger field and more important duties, but because his employer is too often of the class who either cannot or dare not enter export activities on a larger scale, depending, for the time being at least, upon the local commission houses and resident buyers of foreign houses for his export orders.

There are several classes of these export managers but the type just described is fairly representative. The theory on which many of these boys (for they are usually very young men) are put in their positions is that they are honest, persevering, and "good mixers." It is believed that even though they have not an extensive acquaintance among export commission houses they can soon develop such an acquaintance, that because of their perseverance and honesty they can learn the business and that they will stick to their jobs. There is no good reason known why men of greater education and ability should not be anxious to enter this field, which offers really large opportunities. It is certain that many large concerns would be ready to employ them on favorable terms.

### **The Director of Foreign Sales**

There is another class of men sometimes called export managers. These are the men of large caliber who are usually given responsible offices, such as vice-president or secretary. Their function also is to cultivate the acquaintance of export commission houses and resident buyers, but that is only a small part of their activities, for they usually have complete charge of selling campaigns in different sections of the world. They supervise agencies, correspond with customers, and negotiate sales directly from the factory. In addition to all this they usually manage a large force of local employees, salesmen, managers, and agents.

### **The Foreign Trade Manager**

The foreign trade manager is usually a man of considerable education and large experience in foreign trade, familiar with a number of foreign languages, and who has traveled and sold goods abroad. He has secured his position, as a rule, by first winning his spurs in the field. These men are high-priced and only concerns conducting operations in foreign markets on a very large scale can afford to employ them. Oftentimes they have left lucrative positions abroad or in the government service to fill this office. The term "foreign trade manager" is better known among importers who often have such a man as manager of a foreign department. There is reason to believe that the time is approaching when the larger exporters will replace the export managers of the type first described by foreign trade managers who will have charge of imports as well as exports.

### **The Manufacturer's Export Representative**

The manufacturer's export representative is the name given to the agent of the manufacturer who attends to his foreign shipments and solicits orders for him from the local commission houses. Such agents frequently represent more than one house. The arrangement is not generally satisfactory and the concerns employing such persons are usually beginners in foreign trade.

### **The Correspondent**

The correspondent is also an indispensable adjunct of the world's trade. Knowledge of languages alone does not make a competent correspondent, even though such knowledge includes all the refinements of correspondence used in the country with which he is employed to deal. The right kind of correspondent must possess some of the qualities of a high-

class international salesman, for his chief aim is not only to answer inquiries and to cultivate clients by mail, but to initiate and conduct correspondence with a view to selling merchandise. Particularly important is this in the case of the concern employing a correspondent to conduct active selling campaigns by means of circular letters, the distribution of catalogues, etc.

The proper function of a foreign correspondent is really mail order salesmanship. Of course, he may be made merely an adjunct of the sales manager, but in such a case the manager, as well, must know something of the language and the people with whom he is dealing.

### **Translators**

Translators are not usually accorded the importance due them, and therefore it may not be out of place to point out the fact that many a deal has fallen through because of the translator's errors in translating the original copies of correspondence. Every careful business man knows the importance of placing an exact interpretation upon propositions which pass between buyer and seller. Clumsy translation not only fails to carry out the original meaning but is apt to distort it in such a way as to give it a meaning that is quite different. A reliable translator must be thoroughly familiar with both languages—the one he translates and the language into which he is translating—otherwise he is apt to create mischief. Technical dictionaries are now available in most industries and in the principal foreign languages. Such a dictionary should be possessed by the average translator in addition to whatever first-hand knowledge of the language he may have, because of the great number and variety of trade and technical terms employed in ordinary business transactions.

There are many poor translators, not because they do not know one language well, but because they rarely know two languages equally well. Still, with a little care and business

tact, a competent translator should be readily obtained, though it is a good plan to have another man familiar with the foreign language to verify the translation, especially at the outset.

### **The Co-operative Salesman**

The salesman is, in a sense, the most important member of the exporter's staff. On him depends the ultimate success or failure of the enterprise. The remainder of the staff exists to direct and support his efforts and to fill his orders. The requirements and procedure of international salesmanship will be dealt with in a later chapter. Here but a single type of agent is considered—the co-operative salesman. This representative may be an international itinerant merchant working independently, or he may be the representative of an export commission house. Most frequently he represents a number of manufacturers in non-conflicting lines, and goes abroad in the capacity of their agent. He carries and distributes their samples and generally advertises the wares of his principals wherever he goes. For these labors he receives a small expense allowance from his employers, but frequently he finances himself and works purely on a commission basis.

It is a well-established theory that the seller, to hold his customers, must at stated intervals either visit the territory himself or send his personal representative. This theory is put into practical effect by the co-operative salesman, who becomes acquainted with the customers of the houses which he represents, collects credits and market information and keeps his employers posted on the conditions existing in a particular territory.

When the manufacturers in the United States have fully realized the benefits of co-operation in foreign trade, co-operative salesmen will become more potent factors in the promotion of international trade. Until that time the position will

continue to be one of hard pioneer work, and of its kind not the most remunerative.

### **Local Selling Agent**

The employment of local selling agents is an old and well-established custom with foreign traders. European manufacturers use them almost universally, and the advantages of the practice are obvious. A good local agent knows his people, their methods of business, their needs, and their financial standing. He is able to adjust misunderstandings between the exporter and his customer, and his presence on the ground invariably results in the saving of much time and inconvenience, whatever the nature of the transaction.

The chief difficulty is to find the right representative. Men with the requisite character, selling ability, and discretion, who can grasp their employers' points of view, who can make the most of their favorable position on the ground so as to take advantage of local opportunities as they occur, who can be trusted to grade prices to suit the exigencies of the moment, and to keep abreast of the operations of their competitors, are not numerous in any market whether domestic or foreign. If the exporter is fortunate enough to find such a man he will be worth all he costs.

### **The Shipping Clerk**

The shipping clerk is an important link in foreign trade. He has full charge of preparing goods for shipment, which means packing, marking the cases, attending to all the shipping documents, consular formalities, transportation of shipments to the vessel—in fact, of everything from the time the merchandise is collected for packing until it is practically on board the vessel. Sometimes he also performs the function of traffic manager, selecting routes and making all arrangements with steamship companies for transportation. It depends on

the business of the company employing him, whether his functions are general or intensive and consequently more specialized. If the company does a very large business, he may only get the consignments together and into the hands of the steamship company; if the business is comparatively small the shipping clerk may have to give his attention to everything, including the duties of the bookkeeper and messenger boy.

The responsibilities of a shipping clerk in a small concern are not so numerous as in a large manufacturing or export commission concern, but his position is a very responsible office just the same. A manufacturer looking for an export shipping clerk can find the best trained men in the large export commission houses, and if he cannot pay enough to induce an old employee of such a house to work for him, the best he can do is to train one of his promising young men in the office of some export house, or of some transportation company engaged in international business on a large scale.

Numerous customers have been lost by American manufacturers because their goods were not properly packed, marked, or shipped. In fact, until this branch of foreign service becomes more efficient and more specialized, we cannot become leaders in the world's commerce.

### **The Traffic Manager**

The traffic manager should know all that a shipping clerk knows, and in addition to that he must know how to route freight. In foreign trade he must know thoroughly all the steamship companies, their rates, their facilities, and their requirements. He must know the railways connecting the factory with the port of shipment, if he is a traffic manager for a manufacturing concern; if he works for an export house, he should also know the railways connecting the harbors of the world with the interior. This position is one of great responsibility and requires considerable education and special train-

ing, as well as natural ability. It is surprising that not until recently have the colleges and commercial schools of this country offered practical courses in transportation and shipping. Even now but very few such courses include foreign as well as domestic transportation. The graduates of schools that offer proper training in these subjects will have no difficulty in obtaining positions as traffic managers.

### **Advertising Expert**

American trade expansion is suffering from lack of advertising men familiar with advertising methods and principles applicable to foreign lands. From the standpoint of learning alone, there is no reason why an advertising expert could not be developed who is versed in foreign advertising pertaining not to any one particular country, but to every country of the world.

The function of the advertising specialist need not be described at length here. Stated briefly, his business is to manage the distribution of merchandise by means of publicity, and the methods by which this is accomplished are discussed in Chapter XXX, "Advertising in Foreign Trade."



## CHAPTER XIII

### IMPORTING AND THE IMPORTER

#### **Interrelation of Exports and Imports**

Much stress is commonly laid upon our export trade, but our imports are seldom mentioned. It is not surprising that there is still a popular assumption that the greater the excess of our exports over our imports, the better it is for the United States. This is a fallacy. Those who leave the subject of imports out of their definition of foreign trade, forget that there is essentially no real difference, from the economic standpoint, between the trading people of foreign countries and the traders of the same community. When we try to show our prosperity by quoting the excess in the value of our exports over our imports, we forget that we pay annually millions of dollars to foreigners on the investments which they have made here and in interest on the money which we have borrowed abroad and that each year other millions are sent abroad by the aliens in America. The money thus sent out of the country when properly compiled would, in a large measure, offset the boasted excess of our exports over our imports. We shall not be able to understand the subject of exports and imports nor to draw the line between the two, unless we realize that both are necessary to the prosperity of a country and the happiness of its people.

The people abroad cannot continue to buy unless they can also sell, for the money which they pay for our goods must be made in the production and sale of their raw materials and the commodities which they manufacture. It is an economic impossibility for a nation to be solely an exporter. The trade

of the world is based upon the exchange of commodities, and "reciprocity" is the watchword of international commerce.

It is also a false assumption that all the money which is paid for imported products necessarily goes out of the country. What of the millions of dollars which the importer of foreign goods spends in advertising in American publications? What of the profits earned from their sale by American jobbers and retailers? What of the money the importer spends in transporting his goods by American carriers? What of the revenue he pays to sustain our government? Nor is this all, for as soon as his business warrants it, the foreign exporter often establishes an American factory and, importing material only, spends more money in wages to American employees.

We cannot reap profits indefinitely on the sale of goods in any foreign country unless we buy commodities in return. It is a good policy for an international trader to buy from that country in which he sells so far as it is consistent with his financial interest.

### **The Utility of Imports**

Aside from monetary considerations imports have another significant function to perform. They satisfy the wants of the people and contribute to their happiness. There are many things which we have grown to consider indispensable which cannot under existing conditions be produced in this country. Coffee, tea, fruits, and many other food products, common utilities like rubber, or medicinal products like opium, are all of foreign origin. Even the money which is sent out to foreign countries is a source of profit to the banks through the sale of drafts and letters of credit.

To become efficient in international commerce one should become accustomed to take broad views and to form correct ideas of the object and the end of all barter, which is not merely to make money. Money, as a thing by itself, is useless.

It is good only to the extent that it can be used to buy other things desired. It is a medium of exchange with which one can procure what the heart desires.

In a crude state of life money was of little value, for in that state man's needs were few and simple and his desires were limited. As he began to live in a state of refinement and culture, he began to develop artistic tastes, to crave amusements, and to demand luxuries—the lady a silk gown, the man a high-powered automobile. Some of these things cannot be obtained in this country. Rubber from which automobile tires are made, and raw silk for milady's gown, must be brought from overseas. Here are the desires and here is the money, but we must go abroad to buy the things which our environment has taught us to want. Were we to be deprived of the things which foreigners sell us, all the money in the world, if placed at our disposal, would hardly enable us to satisfy our desires for these things.

### **International Exchange of Commodities**

The farmer who grows grains and vegetables and raises animals in excess of the supply required for his own household needs, sells to others what he cannot use himself. But he needs sugar and coffee, a new collar now and then, and perhaps some dresses for his wife and daughters. These he does not produce on his farm, so he buys them in town or exchanges them for his farm products which he takes to the village storekeeper.

Exactly the same principle is involved in the case of nations. Each country produces certain commodities and sells to foreign countries the quantity that it does not consume itself. Each buys from other countries those commodities which are not produced at home or are produced in an amount that is not adequate to supply all the needs of its people and thus the exchange goes on everywhere and forever.

**Dividing Lines—Legal and Economic**

The lines that divide the exports and imports are many in theory, but in reality are non-existent. Both are the offspring of human needs and desires and both are the ends of the same line of transaction.

In a legal sense, export begins when the ship with its cargo clears from the home port for the lands beyond the seas, or when the goods are carried across an international boundary from one country to another. Imports only become such after the goods from abroad are in the custody of the custom house officers.

In an economic sense, the dividing line between imports and exports is the clear increment earned through the exchange of commodities after all the transactions have been balanced and the net profit from the trade between two nations, or of one nation with the rest of the world, has been determined.

It is not an easy thing to determine such increment with exactness or to distinguish between imports and exports. It is impossible to obtain exact figures covering all the goods which have been sent out of the country or to bring them under proper classification. Nor can loss always be determined from figures representing the volume or value of imports or exports. Gold is the standard of value, but there are numerous cases in which the individual loss or gain cannot be measured by such a standard.

It is not possible to be very specific on this point. The topic is complex and puzzling. The purpose here is rather to warn the student against the too ready assumption of the uncritical, that there is no mystery in foreign trade, and that the entire profit in such trade is shown in the excess of exports over imports according to the values represented by the official figures.

The exporter who understands his problem will decide to do his own importing, if possible, from the country with

which he is transacting a large export business. He will endeavor to influence others to do the same. Whenever possible he will make his investments in the country from which he expects a large volume of trade.

He will always bear in mind:

1. That imports and exports are equally necessary to the welfare of a nation.
2. That international trade is founded on reciprocity and individual and national welfare in world's commerce can be maintained only on a broad principle of give and take.

### **The Importer and His Staff**

The business and functions of the importer are well known, and it is hardly necessary to describe at length the factors engaged in this department of foreign trade. Those agencies of foreign trade that are for the most part exclusively concerned with importing are as follows:

The importer proper.

The importer improperly so-called.

The local commission houses.

The local wholesale distributor or jobber.

The importer for retail.

The export-importer.

The co-operative importer.

The resident buyer.

The importing manufacturer.

### **The Importer Proper**

The importer proper is the individual or company that deals on a national scale and exclusively with merchandise imported from abroad. Some of these importers conduct their business on an international basis, buying goods in all

the principal markets of the world and reshipping them to other countries as goods exported from their own country. Great Britain, Germany, and Holland have many such importers. Their buying agents are constantly engaged in studying the markets, investigating the products of the different manufacturers or the raw material of the producers in all parts of the foreign countries in which they operate.

### **The Importer Improperly So-Called**

The importer improperly so-called is a broker commissioned by one or more small distributors to purchase goods for them in foreign markets. He owes his existence to the lack of knowledge or the lack of facilities of those who employ him, whose purchases are generally too small to justify their attention to the numerous formalities which only an expert can understand. The importer of this class charges a commission varying from 5 per cent upon the purchase price to as much as he can get. Frequently, if it is procurable, it pays to get a list of these "importers" in a given market and to cultivate them in order to learn the local conditions.

### **Local Commission Houses**

The local commission houses are the main channels of distribution for imported merchandise in the countries which have few if any wholesale distributors or jobbers. They do business on a strictly commission basis, representing numerous connections. Sometimes they buy and sell on their own account as well. They are often branches of houses located in the countries where principal purchases are made.

In deciding as to what extent these local commission houses may be useful in foreign business the manufacturer should not neglect to inform himself relative to the laws of their country which regulate their activities and define their relationship with the outside world.

### **Local Wholesale Distributer or Jobber**

Besides traveling salesmen and local agents, it is often desirable for an exporter to establish in a foreign country a connection with a wholesale representative distributer or jobber who carries a line of samples, or, as in case of machinery, a supply of spare parts for repairs and who will oftentimes stock goods. Such houses are not always easy to find, but wherever they exist they form a convenient link between the foreign producer and the local consumer.

Some jobbers specialize in one or more kinds of merchandise, others conduct a sort of wholesale department store, some limit their activities to certain territory, while others do a national and even an international business. They differ from the importer proper merely in method and the scope of their operations. In most countries they take the place of the importer. In some cases they accept consignments and sell them on a commission basis. They are popular factors in the foreign trade of Central and South America.

### **The Importer for Retail**

The importer for retail is usually the general store operator and includes, as in the United States and the other large countries, the department store representative and the buyers for the retail stores specializing in imported merchandise, milliners, dressmakers, tailors, Japanese art goods stores, etc. These people can be reached at their local offices and will oftentimes purchase freely.

### **The Export-Importer**

The export-importer is the representative of the manufacturer in charge of the branch house or distributing office of a foreign manufacturer in a given country. He is both an exporter and importer, being an importer in a legal and local sense only.

### **The Co-operative Importer**

The co-operative importer may represent an association or governmental agency. Co-operative buying societies exist in several countries, Russia and England for example. Some of these in Russia are the so-called "Zemstvos." Governments of many nations have always been extensive buyers. Their agents are often governmental officials who are not infrequently represented in foreign countries by permanent commissioners.

### **The Resident Buyer**

In recent years a number of foreign importing houses have begun sending their buyers into this country. Some of these houses established offices in New York and have as a permanent representative on the ground, a man who makes all their purchases in this country. These representatives are called in the trade "resident buyers" of the concerns employing them, and they call themselves the "American representatives" of their employers. Some American firms have also their resident buyers stationed abroad.

### **The Importing Manufacturer**

The importing manufacturer buys goods in foreign countries, usually raw materials, for use in his manufacturing business.

### **Custom House Broker**

The custom house broker is a person authorized to act for purchasers in the import and export of goods, and in the transactions of the general business pertaining to shipping. His legal status is similar to that of a mercantile agent who is employed to buy or sell goods for other people. Being an agent, he must act strictly within the scope of his authority lest he lose all rights to remuneration or brokerage. Abroad,



brokers are usually licensed by the government, occupying a position similar to that of notaries in the United States, and they are frequently required to put up a large bond for the faithful performance of their duties.

### **Warehouse**

The warehouse plays a very important rôle in importing, as imported goods may remain in a bonded warehouse for years without payment of duty. Frequently the warehouse is useful for the exporter, especially in making a shipment of merchandise on which there is an excise tax, as in case of liquors and tobacco.

### **Drawback Broker or Specialist**

The drawback broker concerns himself with the collection from the government of the benefit of drawback, which is repayment to the exporter of the 99 per cent of the duty paid on the imported material from which the exported article is made. He usually works on a commission basis.

### **Methods of Importation**

The American methods of purchasing goods abroad are either through correspondence, or through the importers who make periodical purchasing trips abroad or send their representatives. Whenever convenient, however, purchases are made through the local representatives of foreign concerns stationed in America and sometimes through their own permanent buyer located abroad.

Other countries employ similar methods, but in addition they do a tremendous business through commission houses, through the importers, properly so-called, and through brokers.

Every exporting producer should thoroughly familiarize himself with the methods by which the importing business is conducted in the country of his interests. He should then

learn the channels through which the imports are carried in a given country so as to be able to investigate all the avenues of trade and determine beforehand the nature, quality, and extent of both the supply and the demand. This information is needed for the preparation of his plans, and for the study of the market conditions no less than for conducting his selling campaigns.

There are various directories of foreign buyers and trade information on file with trade associations and in the United States Bureau of Foreign and Domestic Commerce. But the most certain way to ascertain the exact importing machinery in a given country is to send a properly qualified representative to study and report.

## CHAPTER XIV

### CHIEF FACTORS IN THE MACHINERY

#### Sources of Information

The study of the machinery of foreign trade is completed by a consideration of the sources of information upon which the exporter can draw and by a brief discussion of the indispensable factors of this machinery. The full discussion of the more important of these factors has been reserved for following chapters.

Most important of all sources of information are the government bureaus, the consulates of foreign countries in the United States, and the United States consulates abroad. Information of a general character which is in the interest of trade between two countries is given to the best of the ability of the staffs of these offices. Specific information requiring investigation must of course be sought for by the exporter or his agent. The following chapter contains a description of the governmental trade machinery. A list of the foreign cities in which United States consuls are stationed is given in Appendix B.

#### Foreign Trade Publications

The trade papers in this country which maintain foreign trade departments and the export journals are generally willing and able to answer any question relating to the mechanism of foreign trade. The foreign departments of the trade associations which are seeking by co-operative effort to create a market for their goods abroad are usually able to supply any information relating to their particular trade.

### **Insurance and Freight Rates**

The marine insurance policy is an indispensable factor of nearly every transaction of the exporter. This complicated detail of insurance is discussed in Chapter XXXVI.

Ocean carriers include both freighters and passenger vessels and the lighters or other small vessels carrying freight from a public pier to a vessel stationed in the port. The rates for freight between any two ports, including lighterage, the rates of insurance, and all other questions concerning the cost of making foreign shipments will be furnished by any shipping house which has relations with the country to which the shipment is to be forwarded.

### **Parcel Post and Express**

The limit of weight which can be sent abroad by means of the parcel post is 20 lbs. The huge mail order houses in this country handle all the foreign business that comes within this weight limit by mail. Samples and catalogues, which in most countries are admitted without duty, are invariably handled by this means and small consignments may usually be sent by parcel post with greater safety than by any other method of transportation. A list of the parcel post countries will be found in Appendix B.

The express companies of this country are equipped with the machinery to forward package freight of any kind to any port in the world served by a regular line of steamships. The American Express Company maintains offices in London and Paris and is prepared to render the combined services of collection and shipping agents to the more important cities of Europe.

### **Banks and Collections**

The international bank or the local bank with a foreign department and international connections is prepared to take

over the burden of financing export trade by advancing the greater part of the value of an invoice against the documents which give title to the goods. The bank through its affiliations will also collect the amount due by means of a draft to be presented to the buyer on the arrival of the goods and payable either at sight or at some future date. The methods of financing foreign shipments are described in Chapter XXXVII.

The bank of course does not press claims against a debtor who fails to accept his draft or take it up when due. Collection agencies exist abroad as well as at home and connections may be made with them. Many collection agencies in the United States will undertake to press claims against delinquent debtors abroad.

### **Forwarding Agents**

The function of the forwarding agent is to be of service to shippers, especially in interior points. Better rates may be obtained through them, because forwarding agents are supposed to ship goods in large lots. Usually they combine the function of freight forwarders with the performance of other services which the shipper may need in making his consignments, especially if he has no agent of his own at the port of shipment. For instance, forwarding agents in most cases attend to the transfer of merchandise from the station to the dock, see the shipment onto the boat, attend to the bill of lading, insurance policy, consular formalities, and even to the sale of the shippers' drafts. Thus this factor usually combines the functions of freight broker with those of custom house broker and agent so far as it is necessary to make the shipment and to collect the payment for it.

By special arrangements, some such agents will undertake even to sell small consignments abroad, which may serve the purpose of trial orders. They will distribute samples and sometimes they solicit orders. Some of the companies engaged

in the forwarding business advertise parcel express service, which is performed by express companies and the United States Post Office. There are instances when such service may be most useful and the facilities afforded by these factors deserve investigation. They serve both importers and exporters. A list of reliable houses can be obtained from the United States Department of Commerce.

### **Foreign Exchange Broker**

The foreign exchange broker is found in port cities and makes his living by negotiating foreign drafts with banking houses. He does not usually handle any money himself. He learns from different bankers the prices they are willing to pay for certain drafts and reports these offers to his principal who chooses the best offer and collects his money himself. The broker receives a commission for his information. Foreign exchange brokers do other kinds of brokerage at the same time. They are found only in large seaport cities like New York.

### **The Investigator**

Of recent years a link has been developed in the foreign trade machinery, called the "investigator." The first investigators were special agents sent abroad by the government to study trade conditions. The private investigator is now a familiar figure. He is usually a specialist in the line he is commissioned to investigate. He is the business diplomat and the commercial scout of trade strategy, and should be a man who has had a successful experience at home in the business he is commissioned to investigate abroad.

### **Foreign Trade Specialists.**

The export adviser is a new figure in the field of foreign trade. There are at present very few of these foreign trade

specialists who are fully competent to give advice on every phase of the work. Here and there a former official of the United States Department of State or of Commerce specializes in this line of endeavor, but as yet the demand for his services is limited. It is not that the specialist of this character is not needed, but that the business men of this country have not yet come to realize how valuable to them a fully competent trade adviser can be. It is only a question of time when the foreign trade efficiency engineer—by whatever name he may be called—will have a permanent place on the staff of every extensive exporter. The manufacturers who do not know where they stand in reference to their foreign trade, whose so-called export managers are inexperienced, who do not yet know the fundamental principles of foreign trade—much less how to break into a foreign market—certainly need an expert adviser for whom they should be prepared to pay liberally.

Every co-operative trade organization should retain a competent foreign trade adviser who is constantly available for advice and council.

## **CHAPTER XV**

### **THE FOREIGN TRADE MACHINERY OF THE UNITED STATES GOVERNMENT**

#### **The Governmental Machinery**

If the foreign trade machinery of the United States government is intelligently utilized, it can be of the greatest value to the man engaged in international commerce. But he must know what it is and how it works if he is to use it to the best advantage.

Most of our government machinery designed to aid foreign trade is operated under the supervision of the State Department and of the Department of Commerce. This work is carried on through the bureaus of those departments and through our diplomatic, consular, and commercial agents throughout the world. The work of the Tariff Commission has a most vital bearing on foreign trade and recently the Shipping Board and the Federal Trade Commission have become important factors.

#### **Machinery of the State Department**

The State Department is the legal organ of communication between this government and those of foreign nations. It negotiates treaties and other international agreements, prosecutes the claims of our citizens against foreign governments, and protects their rights through its diplomatic channels and by such other means as are at its disposal.

In presenting claims against foreign governments, the claimant must conform to a prescribed procedure. He must file a sworn petition or memorial, setting forth the facts and



circumstances from which his right to prefer the claim is derived. This petition is accompanied by the evidence in support of the claim, with the proof that the claimant is and was at the time the claim originated a citizen of the United States. If the Department is satisfied that the claimant has made out a *prima facie* case, it will press the claim against the government in question.

The claims of American citizens against foreign governments are of great variety, but the most common claims are those based either on wrongful arrest and imprisonment or on the denial of justice. An important rule to bear in mind in connection with claims based upon the denial of justice is that the claimant must have exhausted all other remedies before appealing to the State Department. If the laws of the country provide a means of redress through an appeal to higher courts of justice, the Department will not interfere. Neither will it consider claims against private individuals. The claims must be against the foreign government or its representatives, since individuals can be prosecuted through the courts of the country in which the cause of action accrues.

The Secretary of State passes upon the claims of aliens presented by their governments against the government of the United States. Such an alien to obtain consideration must first appeal directly to the foreign affairs department of his country. His embassy in this country is powerless to take the initiative in such matters.

For instance, a cargo of petroleum consigned to a citizen in the United States was held at Riga by the revenue officers of that port on the ground that the consignee had not furnished a guarantee required by law that the goods, after reaching the United States, would not be reshipped to the enemies of Russia. When the purchaser in the United States was informed of the action he went to the Russian Ambassador in Washington and offered to adjust matters. Here he was referred to his Depart-

ment of State on the grounds that the embassy could not negotiate such matters directly. Our State Department took up the matter with the Russian Department of Foreign Affairs through which it was finally adjusted.

There is absolutely no exception to the rule that the only channel in this country through which a citizen of the United States can secure redress against another country is the Department of State.

### **The Diplomatic Service**

The State Department controls the diplomatic and consular service of the country, located at more than three hundred different posts throughout the world. The diplomatic officers are the accredited representatives or agents of the government through whom contact with foreign governments is maintained.

The diplomatic service of the United States is divided into four ranks: (1) ambassadors, (2) envoys extraordinary and ministers plenipotentiary, (3) ministers resident, and (4) *chargés d'affaires*, which latter are active only in the absence of the ambassador or minister, taking his place as an acting ambassador or minister.

A diplomatic officer is required to transmit to his government at frequent intervals accurate information concerning the policy and views of the government to which he is accredited, with detailed reports on political events and similar matters which may have a bearing upon international relations. The communications of the diplomatic officers abroad to the State Department are called "dispatches." In recent years our diplomatic representatives have been required to keep a keen eye on all measures relating to commerce which may affect the interests of our manufacturers and exporters. American diplomats are not communicated with directly by private American citizens, but should always be addressed through the Department

of State. A list of the embassies and legations which the United States maintains abroad is given in Appendix B.

### **The Consular Service**

While the consuls and consular officers are also under control of the State Department their duties are restricted to commercial matters and their reports go to the Department of Commerce. They have no diplomatic functions and their work in no way conflicts with that of the diplomatic corps. Consuls are the commercial or business agents of the country. Their functions and duties are to facilitate trade, furnish valuable information on matters of interest to commercial concerns of the country, watch over the shipping and navigation of their own country, and endeavor to prevent fraud upon its revenues and to protect the persons and interests of their countrymen abroad.

One of the important duties of consuls is that of certifying to the correctness of declarations required by law to accompany invoices of merchandise exported to the United States. In this connection the consul is required to receive the declaration of the shipper as to the actual value of the goods shipped from his district into the United States and to certify the invoices of goods exceeding \$100 in value destined for entry into the United States.

Of particular interest to exporters are the consular reports of trade opportunities occurring in different parts of the world. These reports are published by the Department of Commerce in its *Daily Commerce Reports*.

Another effective way in which the consuls aim to assist our foreign trade is in the maintenance of commercial reading rooms and information bureaus at the consular offices in all parts of the world where catalogues of American manufacturers, trade papers, classified indexes, price lists, discount sheets, and other matters of trade importance are available.

Unlike the diplomatic officers, the consular officers can be directly communicated with by anyone who has business with them. They are useful sources of specific information, relating to foreign trade. The consuls should not be addressed by name, but as "The American Consulate General at . . . . .," for the reason that when the consul is away, his official correspondence is opened at the office in his absence and attended to by his assistants. A list of the foreign cities in which American consulates are located is given in Appendix B.

### **The Office of Foreign Trade Advisers**

An important bureau attached to the Department of State is that of the Office of Foreign Trade Advisers. The resources and activities of this bureau are described in a statement which will be found in Appendix A. The duties of the bureau may be summarized as follows:

1. To control and direct the commercial work of the diplomatic and consular services.
2. To attend to the correspondence and other miscellaneous business of the State Department which relates primarily to trade.
3. To gather information and formulate advice on commercial subjects for the use of the Secretary and other officers of the Department.

### **Machinery of the Department of Commerce**

In addition to the work of the Office of Foreign Trade Advisers, a great deal of work that is extremely valuable to everybody engaged in foreign trade is done by the Department of Commerce. This work includes the preparation of information secured through the consular service. It covers every possible feature of trade in other countries that could be of interest to business men seeking markets in foreign countries. Its publications are available to all who ask for them.

There is a bureau in the Department of Commerce, known as the Bureau of Foreign and Domestic Commerce, which is of special interest to foreign traders. The following description of its work has been furnished by its chief:

The Bureau of Foreign and Domestic Commerce is charged by law with the duty of "developing the various manufacturing industries of the United States and markets for their products at home and abroad, by gathering and publishing useful information, or by any other available method."

The Bureau is a clearing house for commercial information of all kinds, and has a well-organized and efficient system for its collection and distribution.

It furnishes American manufacturers and exporters with definite information as to specific opportunities to sell their goods in foreign countries. It edits and publishes consular reports on commercial subjects.

It tabulates and publishes statistics of American trade with foreign countries. It collects, translates, and publishes customs tariffs of foreign countries.

It formulates instructions for the commercial work of the consular service. It has a corps of commercial agents who visit foreign countries and make reports upon special industries and special phases of commerce. It maintains a staff of commercial attachés stationed in the principal countries of the world, who devote all their time to commercial studies. Through its distant offices it disseminates trade information and keeps in touch with the commercial interests of the country.

The official statement which appears in Appendix A describes in further detail the work of the bureau.

### **Other Governmental Factors**

The following governmental boards constitute a part, at present, of the machinery concerned with the promotion and control of foreign trade:

1. The Shipping Board
2. The Federal Trade Commission
3. The Tariff Commission

### **The Shipping Board**

The Shipping Board has two functions. It has control of the construction of the emergency fleet and at the same time regulates foreign commerce, performing, in connection with foreign trade, the work of the Interstate Commerce Commission in the domestic field.

### **The Federal Trade Commission**

The Federal Trade Commission in its general place and purpose has a large indirect bearing upon our foreign trade. The last paragraph of Section 6 of the act creating the Federal Trade Commission has a direct bearing on the subject. This paragraph is as follows: The Commission shall have power "to investigate from time to time trade conditions in and with foreign countries where associations, combinations or practices of manufacturers, merchants or traders, or other conditions, may affect the foreign trade of the United States, and to report to Congress thereon, with such recommendations as it deems advisable."

This provision empowers the Commission to investigate in cases where foreign combinations affect American business. Tariff matters and the entire system under which corporate business is conducted in foreign countries may be investigated. If the Commission finds that corporations in foreign countries possess advantages, and under the laws of their countries are allowed latitude and privileges which make it difficult or impossible for American corporations to compete successfully with them, it may report its conclusions to Congress, with its recommendations for additional legislation.

It is entirely possible, therefore, for the Trade Commission to become a great safeguard of our business interests abroad and our American foreign trade ought to be greatly aided by these powers, if they are exercised with sagacity.

In pursuance of the duty thus conferred by Congress, the

Commission has busied itself upon the matter of foreign trade very effectively. Conferences were held at which manufacturers and exporters were invited to give their opinions principally regarding the desirability or the non-desirability of extending the application of the Sherman Anti-Trust Law, and other acts in connection therewith, to our foreign trade. The Commission also addressed numerous letters of inquiry to those who they thought could speak upon the subject, if not authoritatively, at least wisely. The result was the enactment of the Webb-Pomerene Law.

The future of the Commission, as well as the value of the work, will depend entirely upon the efficiency of its personnel and the financial help which Congress provides for its activities. Certainly its powers, for weal or for woe, are most astonishing if it should have the capacity to appreciate them and the initiative to exercise them. The rules of procedure of the Commission are given in Appendix A.

### **United States Tariff Commission**

The Tariff Commission has authority to investigate the operation and effects of the custom laws. This information it is directed to put at the disposal of Congress and the President. It has the power "to investigate the tariff relations of the United States and foreign countries, commercial treaties, preferential provisions, economic alliances, the effect of export bounties and preferential transportation rates, the volume of importations compared with domestic production and consumption and the conditions, causes and effects of the competition of foreign industries with those of the United States including dumping and the cost of production."

### **Co-ordinating Committee on Foreign Trade**

The recently organized Co-ordinating Committee on Foreign Trade marks a distinctly constructive step in the promo-

tion of export commerce. This new governmental agency "includes representatives of all Governmental offices which deal in any way in foreign trade matters. Its duty is to formulate conclusions and to harmonize and co-ordinate all Governmental activities in any way connected with foreign trade, thus safeguarding the economic future of the nation.

"The committee will provide advisory and supervisory machinery of Government executives for unifying the work of further extending and developing the business interests of the United States in foreign channels.

"Neither the committee as a whole, nor its subcommittees, will deal with specific cases of foreign trade interests except as they may be brought to its attention by the different Government officers now handling these matters."

The work of this committee should be a large factor in rendering more efficient and helpful the foreign trade machinery of this country. Through it the results of many years of governmental research work will be placed at the disposal of American merchants in their efforts to build up a stable and permanent trade expansion policy for the United States.

### **Federal Reserve Bank**

Somewhat distinct from the commonly recognized foreign trade machinery of the government is the federal reserve bank, yet it too plays its part in our national scheme of foreign trade promotion.

Under our old national banking system which was inaugurated at the end of the Civil War, the national bank note currency was based upon government bonds which were deposited in the treasury, and the currency issued has been classed as bond-secured currency. This method not only nationalized and unified our currency but it also created a market for United States bonds, in that way sustaining their value. Notes were issued by both state banks and national banks.



For a time the system worked very well, but it outlived its usefulness. Then currency began to show a lack of elasticity and whenever there was any cause for a panic our whole financial system was threatened with upheaval.

Statesmen and bankers, realizing the deficiency and weakness of our national banking system, inaugurated a movement for reform which finally resulted in an enactment by Congress in the year 1913, of the Federal Reserve Bank Act under which federal reserve banks were established in twelve cities of the United States, namely: Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, St. Paul, Dallas, and San Francisco. These twelve cities are known as federal reserve cities, each being the headquarters for the district in which it is located.

Each district comprises all the national banks therein which were required to become stockholders in the federal reserve bank of the district; state banks and trust companies which complied with certain requirements were also permitted to become stockholders. At the present time there are approximately seventy-five hundred national banks in the United States which have been compelled to become members of the federal reserve system.

Each national bank is required to subscribe to stock of the federal reserve bank of its district to an amount equal to 6 per cent of its paid-up capital stock and surplus. Federal reserve banks do no business with the public directly. A federal reserve bank is rather a bank for banks. It is a depository for a certain portion of the reserve of all the member banks, in addition to which it may also be a depository for government funds.

### **Functions and Operation of the Federal Reserve Bank**

One function of the bank is to issue and redeem currency. It may secure from the Treasury government notes, known

as federal reserve notes, which it may issue against commercial paper with a minimum gold reserve of 20 per cent. Federal reserve banks are also granted certain powers in the matter of operations in the open market, such as the purchase of commercial paper, foreign exchange, etc. Thus they function as clearing houses for their members.

Each federal reserve bank is governed by nine directors. Three of these represent the member banks and three represent commercial, agricultural, or other pursuits; these six directors are chosen by the member banks. The remaining three are appointed by the government, or rather by the Federal Reserve Board. The directors are charged with the duty of appointing all the officers including the manager of the bank, who is designated as "Governor."

The entire system is under the supervision of the central board in Washington. This board, known as the Federal Reserve Board, consists of the Secretary of the Treasury, the Comptroller of the Currency acting ex-officio, and five other members, named by the President with the approval of the Senate, who receive a salary of \$12,000 per annum. The amounts constituting the salaries of the directors, together with the other expenses, are assessed against the federal reserve banks in proportion to their capital stock and surplus.

The most important bearing of the Federal Reserve Act on foreign trade is that part of it which pertains to the permission to national banks with a certain surplus and capitalization to open foreign branches. Under this act all banks in the federal reserve system are authorized to accept drafts or bills of exchange drawn on them in foreign trade transactions. They are also allowed to rediscount, with federal reserve banks, the acceptances based on the importation or the exportation of merchandise. (For text of this portion of the act see Appendix A.)

These features of the law have been most beneficial to

foreign traders allowing them to meet the competition of other nations more effectively. By this means a ready discount market has been created and facilities for extension of credit multiplied in favor of the American trader.

## **CHAPTER XVI**

### **FOREIGN TRADE ORGANIZATIONS IN THE UNITED STATES**

#### **Public Organizations**

The public organizations in the United States concerned with the promotion of foreign trade may be divided into three classes according to the scope of their activities:

1. National organizations
2. Local organizations
3. International organizations

#### **National Organizations**

The organizations which may be considered as national in their scope and purpose include the following, the first three of which devote themselves exclusively to the promotion of foreign trade:

The National Foreign Trade Council, New York City.

The American Manufacturers Export Association, New York City.

The American Exporters and Importers Association, New York City.

The Philadelphia Commercial Museum, Philadelphia, Pa.

The purpose of the National Foreign Trade Council as stated in its literature is "effectively to co-operate with other organizations in the encouragement of sound national foreign trade policy." Its function is investigative and advisory. The reports of its annual conventions are perhaps the most interesting and suggestive material of this character that is at present available. To the work of this council and its un-

usually able membership and officers is due much of the credit for the enactment of the Webb-Pomerene Law.

The American Manufacturers Export Association is also a very important body, which is doing excellent work in the promotion of foreign trade. It keeps in close touch with the United States consular representatives abroad with a view to informing itself of every important opportunity that develops for the extension of American trade in foreign countries. Its periodical publications, its monthly and annual meetings, and its personal service are all exceedingly valuable.

The American Exporters and Importers Association aims largely to promote the interests of export and import merchants in New York and elsewhere.

The Philadelphia Commercial Museum is a semiofficial organization in which the State of Pennsylvania and the City of Philadelphia are directly concerned and under whose patronage it is operated. The work of the museum is of the greatest value; it publishes two periodicals on foreign trade and also certain confidential information which appears in its bulletins. The director of the Foreign Trade Bureau of the museum is always glad to give information regarding the activities of the bureau. Everyone interested in foreign trade should keep in touch with this bureau.

To the group of national organizations which aid in the promotion of foreign trade also belong:

The National Association of Manufacturers, New York City.

The Chamber of Commerce of the United States of America,  
Washington, D. C.

The Merchants Association of New York, New York City.

The Chicago Association of Commerce, Chicago, Ill.

Each of these four associations has a separate department devoted to foreign trade promotion, the work of which may properly be considered as national.

The activities of the Chamber of Commerce of the United

States of America and the work of the National Association of Manufacturers are too generally known to require any description here.

The Merchants Association of New York through its Foreign Trade Department is doing the most extensive and valuable work of any local chamber of commerce or trade organization in the United States. It is decidedly national in its membership, scope, and purpose and is particularly useful for the reason that nearly every prominent manufacturing concern has an office in New York, and also the metropolitan city is the great center of foreign trade activities and the main connecting link between the greatest trading points of the world.

The Chicago Association of Commerce performs a corresponding service for the Middle West. The manufacturers of that locality usually maintain offices in Chicago, through which they keep in touch with the activities of the association.

### **Local Organizations**

Local trade associations of special prominence are:

The Philadelphia Association of Commerce  
The Detroit, San Francisco, Cleveland, Boston, Baltimore,  
Pittsburgh, and St. Louis Chambers of Commerce  
New Orleans Association of Commerce  
The Cincinnati Foreign Trade Association  
The Foreign Trade Club of San Francisco  
The Pittsburgh Foreign Trade Commission  
The Associated Chambers of Commerce of the Pacific Coast

All of these organizations are extending their facilities and are enthusiastic advocates of foreign trade so far as it concerns their local interests.

### **The International Organizations**

The most prominent international organization for trade development is the Pan American Union, Washington, D. C.

It is in a class by itself, confining its work to the promotion of trade and amity among the nations of the Western Hemisphere. Every American republic contributes to the support of this Union. Its magnificent buildings are largely the gift of Andrew Carnegie.

Some of the other organizations in this class are:

- The American Asiatic Association, New York City
- All-Americans Association, Inc., New York City
- The American-Russian Chamber of Commerce, New York City
- The Pan-American Chamber of Commerce, San Francisco
- The Japan Association of North America, Seattle, Wash.
- The French Chamber of Commerce of New York City
- The Japan Chamber of Commerce, San Francisco
- The Holland-American Chamber of Commerce, San Francisco
- The American-Polish Chamber of Commerce, New York City
- The American-Roumanian Chamber of Commerce, New York City

There are also Norwegian, Spanish, Swedish, and Italian Chambers of Commerce, all having some sort of organization and place in New York City, but their activities are of no such significance as those of the organizations enumerated above.

The American Chamber of Commerce for the Levant, the Greek Association, and a number of similar organizations also aim in their own way to assist our foreign trade with particular nations.

The manufacturer or merchant who is trying to make connections with one of the countries in the Far East will do well to communicate with the American Asiatic Association and to subscribe for its publication *Asia*. He who has an eye on Russia should not fail to become acquainted with the American-Russian Chamber of Commerce, and those who are doing or contemplate doing business in Central or South America

may be greatly benefited by getting in touch with one or more associations interested in the promotion of our commerce with these countries.

### **Private Organizations**

Recently certain large banks have organized foreign trade bureaus which aim to supply information and perform other services regardless of whether the person seeking their aid is a customer of the institution.

Among the most noted of these are the National City Bank and the Guaranty Trust Company, both of New York City. The former is issuing, for gratuitous distribution, a very valuable monthly called *The Americas* and the latter sends out periodically papers on foreign trade which are interesting and helpful because they are based on a thorough study and knowledge of the subjects which they treat.

A good many newspapers and magazines throughout the United States maintain information bureaus and publish bulletins relating to foreign trade. All such activities are very encouraging and are fast multiplying and extending.

There is still an apparent lack of co-ordination among the foreign trade organizations. A great deal of the work done by each organization is duplicated by the others and much money and intelligent effort is wasted in consequence. We still need a great, all-embracing, national foreign trade organization co-ordinating every function of the associations named above and which because of its greater resources shall enable these associations to render better and more effective service than they are able to do at present, even through their combined efforts.



## CHAPTER XVII

### THE VALUE OF CO-OPERATION IN FOREIGN TRADE

#### **The American Trust**

Perhaps nowhere in the world is individualism carried to a greater extent than in America. The American business man instinctively prefers to play the game alone and to take his chances of success unencumbered by "entangling alliances." Nevertheless it was in America that the trust came into being and reached its highest development, flourishing unrestrained until its abuse of power resulted in its regulation.

The American trust was an attempt at co-operation which from its founder's point of view at least was entirely successful. The original trust was created by John D. Rockefeller, by the agreement of 1882, the so-called Standard Oil Trust Agreement, by virtue of which the management of all the Standard Oil Companies was vested in a body of nine trustees with Rockefeller as chairman. The success which followed is attributed largely to its highly centralized and efficient organization and its elimination of waste through co-operative methods.

The trustees directed the numerous activities of the combination by most original and scientific methods. They organized various committees, such as that on marketing and that on crude oil. These committees studied the oil business in all its phases, received reports from every nook and corner of the world, and made frequent reports to the board of trustees who devised plans and issued orders accordingly.

In the wake of the Standard Oil followed the Michigan Salt Trust, the Whiskey Trust, the Wire Nail Trust, the Pipe Trust,

the Steel and Sugar Trusts, until there were a dozen or more mammoth trusts and hundreds of smaller ones in the United States at the time of their dissolution by order of the courts.

### **Industrial Combinations**

The advocates of industrial combinations on a large scale believe that instead of being harmful the trusts were beneficial. Among the benefits claimed for them are the saving in production, transportation, and marketing—the elimination of waste and of the hazards of trade, the greater co-ordination of economic forces, and the greater certainty of results.

Those who inveighed against the trusts charged them with various abuses in their financing and methods of operation. They accused them of stifling free competition, of cutting down prices at the outset, and of abnormally increasing them when competition was destroyed. They claimed that the trusts forced competitors into disadvantageous agreements and that they were guilty of generally oppressive and tyrannical conduct in the restraint of trade.

The consensus of the intelligent public opinion of the world, however, seems to be in favor of industrial combinations, provided they are properly regulated by the government.

### **Combinations Abroad**

The benefits of co-operative efforts have always been understood abroad. On the whole, combinations have been encouraged, although the danger of abuse has been clearly realized and guarded against by stringent governmental regulation. Even the countries that have hesitated to submit their domestic markets to the restraints which such combinations entail, have had no scruples against inflicting them on their foreign markets and the strong combines of our foreign competitors have given them a great advantage over us in the race to capture the world's trade.

In Germany the *Kartels*, as such combines have been called, have always been considered as model trusts, due to the fact that they were most effectively regulated by the government, in both their domestic and foreign activities.

A new phenomenon appeared in Germany during the war in the form of compulsory *Kartels*. Some of these syndicates maintain common sales departments and in some cases they have common, centralized purchasing departments.

In England a special law, called the "New Companies Act," was brought forth in 1900 for the purpose of meeting the *Kartels'* competition and of assisting the export trade of Great Britain. At the close of the Great War two enormous foreign trade organizations, the British Corporation and the British-Italian Corporation, were formed in Great Britain with government support and with a similar purpose.

Somewhat similar organizations have been formed in France and in Japan, and the German idea of industrial combination has been followed, if not copied, by a number of smaller countries. All of these organizations aim to bring about the control of prices by agreement, the adoption of the uniform price lists, the limitation of production, and the determination of the distribution of output.

### Possibilities of Co-operation

Co-operation may be neutral, benevolent, or malevolent. When it benefits no one and hurts no one outside of the co-operative body it is strictly neutral. When it benefits some and hurts no one it is benevolent. But when it benefits only the co-operative body and is destructive to all the outsiders, it is malevolent—whether it be a gang of bandits, a "trust," or an organization of the state.

All organized commercial effort is bound to strive to overcome competition. Such is its primary purpose and the fact might well be recognized that an exceedingly keen competition

is not, in its last analysis, a beneficial factor, nor is its regulation to be considered as destructive to general welfare. On the other hand, the entire elimination of the natural play of competitive effort brings about a monopoly with its resultant tyranny, and is far worse than even cut-throat competition.

To what extent co-operative effort may be detrimental to the country in which it exists is a political question to be determined in each case by the proper legislative, administrative, and judicial branches of the government. The most innocent form of co-operative organization may become destructive in its effects when it outgrows its benevolent sphere, deteriorates, and lapses into ruthlessness.

### **Co-operation Without Combination**

Co-operative methods are not confined to such elaborate organizations as American trusts or foreign syndicates. There is a simpler and more natural form of co-operation which has always existed. Such is the union of two or more persons to attain an end which it is impracticable for either to attain singly. All co-operative efforts are based on such an aim. They are to be distinguished less by their form than by their methods and the ends for which they strive.

To an increasing extent groups of manufacturers in non-competing lines are uniting for the joint export and sale of their products. Usually their aims are merely to save transportation and selling expenses and to increase the efficiency of their organizations. In all this they are entirely successful, especially in the South American field.

Hitherto, it has been almost impossible for the average American manufacturer of modest pretensions to enter the field of foreign trade under conditions as favorable as those commanded by his larger competitor. To such a man co-operative methods mean the difference between success and failure. In acting in conjunction with men similarly placed, he finds him-

self able to overcome his limitations. The very considerable expense involved in the preliminary investigation of the market is shared by others, and his marketing facilities are vastly improved.

Such co-operation enables the small manufacturer to ship his goods jointly with his associates and thereby to secure better rates and greater facilities. He is able to pass on to his customers the benefit of his economies and, what is of even greater importance, he can offer them the services of a joint representative to whom they can turn in case anything goes wrong. This connecting link between seller and purchaser is often a deciding factor in making a sale.

Advertising in foreign fields is more expensive and cumbersome than it is at home and yet it must be attended to. In a co-operative organization the newspaper advertising, the circularizing, and the personal propaganda work can be made to compare in both quality and quantity with that of the combined exporters of foreign countries.

### **Possibilities of the Future**

Co-operation in foreign trade, so far as the American trader is concerned, has hitherto been retarded by the anti-trust laws. A realization of the disadvantage under which the American competed in foreign trade has resulted in the passage of the Webb-Pomerene Act which modified our anti-trust laws, so far as foreign trade is concerned, and makes co-operative methods legal.

Unless this law is promptly taken advantage of by the small manufacturer it will do him no good and the larger exporters will reap the benefits. If the average manufacturer is to share with these larger traders, he should at once begin to agitate for co-operation through his trade associations.

Co-operation is destined to become an important factor in the life of the world as democracy becomes more general. The

reign of political democracy is bound to be followed by a commercial democracy, which will mean a more extensive and stronger co-operation between the competing interests within the nation, and between the employer and his employees.

It is altogether within the range of probability that in the near future the European nations will unite in the production and distribution of the common necessities and that such a course will be based upon the industrial alliances within each country. In such an event, those who have perfected co-operative trade alliances will be most benefited because they will have established their organization on their own terms while those who follow will have to accept the terms dictated by the exigencies of the moment. The nations with a long range of vision will first reap the rewards of the future.

## CHAPTER XVIII

### THE WEBB-POMERENE LAW

#### Enactment of the Webb-Pomerene Law

Every exporter or would-be exporter should be thoroughly familiar with the tenor, the significance, and the application of the act of Congress to promote export trade, commonly called the Webb-Pomerene Law.

This act practically negatives the application to export trade of former anti-trust legislation embodied in the Sherman Act of Congress of July, 1890, to protect trade and commerce against unlawful restraints and monopolies, and in the supplementary act of October, 1914; in other words it permits the formation of trusts in export trade.

The term "trust" in its limited commercial sense is commonly used to denote an industrial combination embracing a peculiar form of business association effected by the transfer of stock by the stockholders of the component corporation to a board of trustees, to be voted by them as they see fit.

In this sense the term connotes in the popular mind an agreement or combination believed to be formed with the intent of monopolizing a certain kind of business, restraining trade, and controlling competition and prices in the given line or several lines of product.

Thus every large consolidation of industry has been looked upon as a "trust," whether it is made up of several plants or of a hundred, and whether such "trust" actually involves monopolistic features or not. So long as such an organization has the power to interfere with competition, to control business, and to fix prices, the term "trust" will be applied to it.

The idea that the trusts are a menace to public welfare and destructive of the freedom of individual endeavor has been so persistently kept before the public mind by writers and public men that it has brought about the enactment of stringent legislation against them.

This legislation resulted, however, in preventing the American exporter from meeting the competition of other nations by co-operative methods. A realization of the handicap under which they labored was one reason which led to the enactment of the new law, known as the Webb-Pomerene Act. But perhaps the certainty that after the war the gigantic organization of industry and commerce abroad will proceed at a more accelerated pace, was the most potent stimulus for haste in passing this new law.

Doubtless, without any desire to imitate the European system of governmental supervision over the combines, but guided by a strong conviction that only by means of governmental supervision could the evils of the trust be avoided and their benefits secured, a certain amount of governmental supervision of the concerns wishing to take advantage of the new law has been provided for through the medium of the Federal Trade Commission.

### **General Provisions of the Law**

Briefly then, the so-called Webb Law authorizes the formation of an export association to be composed of "any corporation or combination by contract or otherwise, of two or more persons, partnerships or corporations." Such an association for export may be formed whenever conditions make it advisable that for a better exploitation of foreign markets an arrangement should be entered into for co-operation between competing concerns.

Some of the arrangements which may now be made within the provisions of the law are as follows:



Division of sales territory  
Allocation of foreign markets  
Apportionment of output for export  
Allotment of terms of export sales  
Allotment of export orders  
Pooling foreign business  
Allotment of prices to foreign buyers  
Allotment of grades in export output  
Joint export sales organization

But such arrangements or agreements must be entered into "for the sole purpose of engaging in trade or commerce only in goods, wares or merchandise, exported or in the course of being exported from the United States or any territory thereof to any foreign nation," otherwise they will come within the provisions of the anti-trust laws.

In the same act the association so formed is not only restricted in its activities to exports alone, but it is specifically provided that the provisions of the law concerning freedom from restraint and exemption from anti-trust laws do not apply to "the production, manufacture, or selling for consumption or for resale, within the United States or any Territories thereof, of such goods, wares, or merchandise, or any act in the course of such production, manufacture, or selling for consumption or for resale."

And furthermore the association is forbidden to restrain trade within the United States or to commit acts in restraint of the export trade of any domestic competitor of such association, or for the association either in the United States or elsewhere to enter into any agreement, understanding, or conspiracy, or to do any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such association. Nor can it "substantially" lessen competition within the United States or otherwise re-

strain trade therein. (See Appendix A for text of the Webb-Pomerene Law.)

### **Methods of Control**

Whenever the Federal Trade Commission may have reasons to believe that any unlawful act of the character just mentioned has been committed it is given power to summon any officer of the association or other persons it may choose for the purpose of conducting an investigation into the acts of the association. If it should be found that the law has been violated, the Commission may suggest readjustment in the business of the association, so that it may be conducted according to law. If the association fails to comply with recommendations of the Commission, the case shall be referred to the Attorney-General of the United States "for such action as he may deem proper."

This is one method of governmental control established by law over the association, which in so far as export trade is concerned has all the power of becoming a so-called trust and without being subject to the anti-trust laws.

The other method of control by the government is the specific and mandatory provision in the act that each association organized for export by means of a "contract or otherwise, of two or more persons, partnerships or corporations" must, in 30 days from the time of its formation, file with the Federal Trade Commission the following verified statements and items:

1. The location of the offices of the association and places of business.
2. The names and addresses of all its officers.
3. The names and addresses of all its stockholders or members.
4. If a corporation, a copy of its certificate or articles of incorporation and by-laws.
5. If not a corporation, a copy of articles or contract of association.

On the first of January of each year a like statement with all the changes which have occurred is required to be filed with such other information as the Commission may demand.

A penalty of forfeiture of certain rights is provided for, and \$100 as a fine for each and every day of failure to comply with the law. If those who file the above documents have complied with the law in other respects, the mere filing of the prescribed papers qualifies them as an export association and entitles them to all the provisions and benefits of the law.

So much for the general letter and tenor of the law. It is plain enough. In some instances, however, it is not likely to be so easy to put it into practice.

### **Forms of Combination**

The course is clear if the exporting concern plans to conduct foreign business through a subsidiary selling organization of its own, and desires to avail itself of the benefits afforded by the Webb-Pomerene Law only to the extent of making arrangements with other concerns from time to time as the necessity arises. Such arrangements may be a contract for the apportionment of territory, orders, or profits, or may provide for the regulation of prices in one or more foreign markets.

It is not so easy to make use of the law when one contemplates the creation of a joint selling organization into which the export activities of a number of competing concerns are merged. There is an infinite variety in types of such selling organizations, which can be devised and oftentimes it is difficult to decide just which type is best suited to a given case. It may be that the participating concerns cannot agree among themselves on a definite arrangement as to the management, the stock distribution, or the method of buying or selling. In such a case a different scheme for a selling combination may effectively meet all the requirements.

The same may be said regarding the agreements authorized.

by the law between different concerns engaged in foreign trade, each of which operates its own selling organization. Such agreements may relate to the pooling of business, territory, profits, losses, etc. One arrangement may be practical in one market, another arrangement in another, according to the conditions in a particular territory abroad or in the industry at home.

### **Wide Range of Possibilities**

The Webb-Pomerene Law allows any exporter in the United States to act in combination with any other American exporting concern at home or abroad, or with as many as he may choose under any agreement which they may make among themselves relative to export trade in America or trade in any foreign market. It requires, however, that such agreement shall not unlawfully interfere with trade within the United States and shall not affect other American exporters with unfair methods of competition.

One of the arrangements that may be effected is the creation of a separate organization—be it a corporation, partnership, a common sales office abroad, a joint marketing agency, individual foreign sales branch, an exclusive agency, or any kind of an understanding through an agreement.

The agreements may be made and changed as and when occasions arise in conformity with the widely different requirements of widely different markets and the demands of industry, product, and selling conditions and methods in the exploited countries.

The foreign business of the United States has been conducted heretofore by various methods and through varied types of selling organizations. There are the export merchants and the export commission houses. When a concern engages in direct exporting, there are several courses open. It may distribute by means of a separate company which may be an allied company, a selling company, or an independent company.

Again it may conduct its business through a separate export department of the general selling organization, or the general selling organization may be so planned that it handles both foreign and domestic sales.

There are foreign and domestic corporations, copartnerships, or individuals trading under a firm name, but whatever the form of the organization it is entitled to the provisions of the Webb-Pomerene Law.

### **The Law Designed to Aid Foreign Trade**

It is obvious that the law was created for the relief of the American export trade and with a view to affording advantages to the American exploitation of foreign markets. It is designed solely to assist in the sale of the American products abroad and to aid in overcoming competition in foreign markets. To that end all the instrumentalities already in existence should be utilized to the fullest extent when conditions so require.

If, for instance, a manufacturer may not find it practicable to organize an export selling combine or may not be desirous of entering such combine, he may make export arrangements with some existing export concern, agreeing to utilize its organization and consenting to some pooling arrangement of territory, prices, export orders, etc.

It may be that certain domestic concerns or even some of the export houses as now constituted cannot qualify as an association under the law by merely filing the agreement with the other documents. In such cases a reorganization with either reincorporation or with the organization of one or more new corporations will be necessary or advisable not only to comply with the law but also for the purpose of carrying on sales and fulfilling the agreements.

Various pooling arrangements and other selling methods to overcome competition practiced by the trusts are legalized by

the Webb-Pomerene Law between competing concerns. Such arrangements as the law allows may include an entire industry, or but a few concerns, and it is a matter of indifference whether the concerns so combined for export trade remain competitors in the domestic trade. But such arrangements can only be made by means of one or more export associations as provided in the law.

Frequently it may be most practicable to preserve the individuality and independence of the concerns desirous of making arrangements now permitted, as in the case of a branch house, a special selling concern, a jobber, an export house, or a producing concern. In such cases the concerns may qualify as separate export associations, after which they can enter into the pooling or other arrangements allowed to such associations. In some cases, as has been said, a reorganization or new incorporation may be found necessary in order to comply with all the provisions of the act.

### **Advantages of the Law**

The advantages accruing to the American trader from the Webb-Pomerene Law are numerous. The law has been framed largely with an eye to the business which will follow the signing of the treaty of peace. But while it will be of vast aid to American industry in overcoming the unified tactics of European manufacturers and traders and in securing our share of the trading that will run into many billions of dollars, it will also serve as well in advancing the world interests of our smaller manufacturers. It has become obvious that in the past extensive competition in foreign trade has been productive of much harm that can be eliminated in the future through the instrumentality of the new law. The most obscure manufacturer is as much entitled to the benefits of the law as is the largest industrial combine, but he must know how to avail himself of all its provisions and, most important of all, he must act.

This law should enable the United States to duplicate the achievement of Great Britain after the Napoleonic Wars, when the people of that empire reaped the golden harvest of the reconstruction period that followed. It is also an attempt to avoid the overpowering influence of paternalism by providing a means by which the resourcefulness and individuality of the American exporter can assert themselves without governmental interference with the freedom of American commerce.

The law is far from being perfect. It is not broad enough and not definite enough. But nothing is perfect in the beginning. As time goes on the defects will be remedied. With time, experience, and ever-changing conditions the amended law will conform to the spirit of the times. It will not be long before its provisions will find their way into the courts and the interpretation of some of its terms by American tribunals will hasten its complete understanding.

Many exporters who still feel uncertain as to the full implications of the act and the extent of the possibilities that it opens to them, have consulted with the Federal Trade Commission and have sometimes referred their plans to it for approval before putting them into operation. While the law anticipates no such procedure and such advice is unofficial this extra legal function may prove a most useful part of the Commission's duties.

## **CHAPTER XIX**

### **EXPORT ORGANIZATIONS AND COMBINATIONS**

#### **Growth of Foreign Sales Combines**

The same forces and tendencies which have resulted in the growth of selling organizations and combines in the United States operate to form similar organizations for the sale of our products abroad. The export combine or selling trust, however, enjoys one important advantage. The acts and policy of the domestic organization frequently incur the ban of the law and may be adjudicated to be "unfair competition" and "in restraint of trade." The acts and policy of the export organization only incur the risk of foreign governmental prohibition or control when the methods are considered to be injurious to the trade of the country in which operations are carried on. As foreign governments have hitherto viewed the operations of trusts and combines with much more equanimity than the United States government, it is to be expected that considerable more latitude will be allowed the activities of the trust or combine working in a foreign field than is allowed when the same activities are carried on in the domestic market.

#### **Specialty Foreign Sales**

When the individuality and special features of the article to be exported are their chief selling points, the advantages to be derived from co-operative sales efforts are hardly sufficient recompense for the difficulties to be overcome in forming a joint selling organization. The sale of such highly specialized articles as office devices and appliances, machinery, cash regis-



ters, sewing machines, automobiles, shoes, farm machinery, and so on, depends largely upon bringing the advantages of the specialties to the attention of the customer and making him acquainted with their utility and the method of their use. Such sales call for highly trained salesmanship. The individual effort which each sale requires is obviously the sole concern of the manufacturer or exporter and cannot be delegated to the representatives of any association of either competing or non-competing exporters.

It is true that, given a product of merit and individuality, orders will be received for it in a more or less spasmodic fashion from all quarters of the globe. But if the manufacturer of a specialty is desirous of developing any foreign country intensively, then his sales campaign abroad must be just as much an individual enterprise as his sales campaign at home. When independent action is the logical course to follow, it will usually be found that the methods which have proved effective in the home market will prove equally effective abroad, after any modifications have been made which are dictated by custom and the peculiarities of national taste.

### **Staple Foreign Sales**

The benefits to be derived from combinations formed to develop foreign trade and cultivate particular fields are practically limited to the producers and manufacturers of certain kinds of staple goods. For instance, American manufacturers of nuts, screws, bolts, and similar hardware, the cheaper lines of cotton piece goods, steel, cement, etc., are able by means of their large-scale methods of production or by superior facilities for the purchase of raw materials, to offer such staples at competitive prices in almost any market of the world. Again, producers of lumber, cotton, copper, and other raw materials which are indigenous to this country find little or no difficulty in entering the foreign markets.

One important factor which often represents the margin between profit and loss in the sale of such staples is selling expense. The manufacturer of a specialty can often add a round 100 per cent to his cost to cover selling expense, but if the price of a staple includes a considerable margin for this item, it cannot be offered at a competitive price. One of the means of reducing this factor to the minimum is to sell in large volume. If this volume is big enough for the orders to be pooled among a number of manufacturers and the cost of the sales campaign are also pooled, it is obvious that the selling expense then sinks to a negligible factor in the sales price.

The manufacturer or producer of any of the commodities listed above and many others besides would find it a difficult if not impossible task to build up a lucrative foreign trade working alone as an independent exporter. He could not carry stocks at strategic points abroad; the volume of his shipments would not enable him to obtain the lowest freight rates; and in a hundred and one ways he would be handicapped in competition with either an export combine or a foreign producer handling his particular product. Therefore for the small manufacturers or producers of staple articles, a combination of effort is often the only practical means of gaining a firm footing in foreign markets.

### **Types of Sales Organizations**

The types of sales organizations formed by manufacturers and producers of staple articles for the sale of their products abroad may, for purposes of discussion, be divided into:

1. Jointly controlled selling organizations
2. Co-operative sales organizations
3. The selling combine

As noted above, the general policy of such combinations abroad would be much the same as in the domestic market. The

advantages of combinations in export trade, in addition to those previously discussed, would be derived from the added strength given to particular trades or industries in competition with similar trades or industries abroad. The precise method of forming such a combination is a problem for each trade to solve and the subject here can only be profitably discussed by a very brief statement or description of the methods adopted in particular cases.

### **Jointly Controlled Selling Organization**

In the sense in which the term "jointly controlled selling organization" is generally used, it denotes an organization that may have a certain degree of real independence but whose distinguishing characteristic is that it pools the export activities of a number of previously competing concerns into a single selling organization. This is, perhaps, the type of selling organization that has been most benefited by the new law.

With an organization of this character it is to be expected that there may arise some difficulty in securing the singleness of purpose, unanimity of direction, and steadfastness of policy which are the marked characteristics of the singly controlled organization. Nevertheless with good management, the right sort of organization basis, and the willingness of the participating concerns to subordinate their individual opinions to the common interests, it can be made to work smoothly and most effectively.

In view of the freedom afforded by the Webb-Pomerene Law to fix prices to foreign buyers, to allot export orders, to allocate foreign markets, to pool foreign business, and to apportion foreign territory, it is safe to assume that the joint selling organization will become very popular. The law permits a variety of arrangements for its creation and for its development, a variety limited only by the ingenuity of the promoters and their legal advisers.

**Typical Plan of Jointly Controlled Selling Organization**

The following is a typical example of the plan under which a joint selling organization may be formed and operated:

A number of competing manufacturers in a given industry get together and organize a joint selling organization for export with a capital stock, say, of \$300,000, of which two-thirds is 8 per cent cumulative preferred stock and the rest common stock without par value. The common stock is to be used as a bonus, one share of common stock being given with each two shares of the preferred stock. The preferred stock will be subscribed by the concerns actually participating in the joint selling arrangement. These concerns will be the only holders of stock in the new company, and their holdings will be apportioned according to the amount of their export output. But no participating concern will have more than one vote regardless of the amount of stock it holds, and no concern can obtain control of the majority of the stock. The terms of payments for stock may be one-half down and the balance subject to call in amounts of from 10 to 50 per cent at a time. Each concern is to be represented on the board of directors of the selling organization which will determine the policies of the organization and direct their execution. The active direction may be vested in a small executive committee of from three to five members, composed perhaps of the principal employees of the company.

Each participating concern may agree to sell its entire export output through the joint company during the life of the agreement and to standardize, mark, label, pack and ship, and pay all freight and other charges to the seaboard as and when directed by the joint company. The export shipments will consist of a certain percentage allotted to each producer by the joint company, this percentage to be in proportion to the whole production in each case and to consist of specified grades. The joint concern will fix the prices at which each participating concern may sell its product. It will bill and collect the purchase

price in its own name and according to its own terms. For the products shipped by the participating concerns at its order, the joint corporation will pay according to the system in vogue in the particular industry (usually 90 days in domestic shipments, with a discount of  $2\frac{1}{2}$  per cent for cash). The prices may be arrived at in several ways—either by allotting some orders to the concern quoting the lowest prices, or by making an agreement from time to time in advance to buy from each concern certain quantities and grades at specified prices, or merely by taking an option on them. The excess obtained over the purchase price may be used either in paying dividends on the preferred stock or for setting aside funds for reserves and the budget. The balance, if any, can be used in making a rebate to each participating concern in the proportion which the amount of export output guaranteed by each participant bears to the aggregate amount of similar export output guaranteed by all participants, or the surplus balance may be distributed in the form of dividends to each participating concern according to the amount of its holdings in the joint company.

It goes without saying that before the corporation is definitely organized a man experienced in foreign trade should be secured as a manager. He will formulate plans for the selling campaign. A connection should also be established with one or two strong banks, which have either branches abroad or influential representatives on the ground.

### **Co-operative Sales Organization**

Another expedient for a jointly controlled selling organization that does not care to undertake its own distribution either in whole or in part, is to become a member of a co-operative sales association. The term "co-operative" is generally understood among exporters to apply to non-competitive producers. There are already many such concerns. The fact that they are non-competitive does not prevent them from qualifying

under the Webb-Pomerene Law or from combining their organizations in some markets abroad with competitive concerns under the agreements authorized by the law.

There are numerous systems of co-operative distribution and purchasing in England and on the Continent. Great Britain has made a greater advance in social-economic co-operation than any other country in the world. It is calculated that more than one-sixth of the British population has its economic wants wholly or partly supplied through the co-operative methods of such organizations as the North of England Wholesale Society and The Scottish Wholesale Society. Some of these, including the famous Rochdale Society, own purchasing and forwarding depots in New York, Hamburg, Copenhagen, and other cities in different parts of the world. A number of such co-operative societies in England have their own steamship lines and banks and operate their own distributing and retail centers. With these organizations, as well as with purchasing and selling syndicates and combines of England and of the Continent, the American exporters will have to reckon seriously.

Co-operative organizations for foreign trade are not very numerous in America, although some concerns which could be placed in this class, such as the National Paper and Type Company and the Parsons Trading Company, are doing very well. The co-operative type of selling organization for export is especially well adapted to non-competing products and there is not the least doubt that, as the development of our foreign trade progresses, this type of organization will come more and more into its own. We have a vast army of producers who either feel that they are as yet too small to enter foreign trade alone or even as a part of a joint sales arrangement with a competing concern, or who have but a very small output for export because of the demand for their product in home markets.

Some observers believe that the co-operative type of selling organization will become the predominant type in the foreign field, competing successfully with every other type of export sales organization and ultimately supplanting it in the same way that our department and chain stores are supplanting the older methods of retail distribution.

### **Example of Co-operative Sales Organization**

The following case is typical, in broad outline, of the methods of forming a co-operative sales organization. The details of the agreement will of course vary with circumstances and the kind of product to be sold. In this example, the organization consists of a corporation formed by a number of manufacturers of non-competing food products. Many of these products can be more readily handled as a complete line than they can be sold separately.

The capital of the corporation is \$100,000 obtained by an issue of partly paid common stock, the balance being subject to call in case of necessity. A prerequisite to membership in the organization is the signing of an agreement which binds the manufacturer to grant the exclusive foreign sale of his goods to the corporation. The corporation on its part buys from the manufacturer at a price determined by market quotations, less a commission of  $3\frac{1}{2}$  per cent for expenses, and retains any further profit on the sale if the selling price to the consumer results in such profit. When an order is obtained which cannot be filled by an individual manufacturer within the delivery date specified, the sale is divided among two or more producers in proportion to their average domestic sales.

Shipments are paid for either on the delivery of the goods at the port of embarkation and the receipt of the bills of lading, less 2 per cent discount; or net cash is paid ten days after receipt of the shipment. The manufacturer pays freight and other expenses incurred in the delivery of the goods f.o.b.

The profits of the corporation are in part disposed of by paying a dividend of not more than 7 per cent on its capital stock, after carrying to reserve any sums that the board of directors deems proper. Any balance remaining is divided among the participating concerns in proportion to the amount of the sales in each case. In prosperous years when market prices are high, a considerable surplus is available for distribution; in lean years the reserves may be drawn upon to maintain the regular 7 per cent dividend on the capital stock.

### **The Selling Combine**

The selling combine consists of a number of competing organizations operating through one selling organization which may, for the sake of expediency, be called a "selling combine," thus avoiding the odium which is attached to the term trust and which is at the same time a more exact description of a large combination of capital and resources.

A combine on a vast scale bordering on monopoly would hardly be feasible in export trade for two reasons: First, the Webb-Pomerene Law has its limitations so long as the anti-trust laws continue to express our governmental policy towards combinations in production and trade within the United States. The other reason is that, as many economists assert, beyond a certain point combinations are not economical except in raw materials. Even at home the history of large combinations shows that they were effected almost exclusively in connection with production and distribution of raw products and in what the Germans call "heavy industries," such as iron, oil, coal, alcohol, sugar, and the like.

Export trade has been carried on in respectable volume by many concerns which were organized on a comparatively modest scale; and it is most likely that these concerns will continue to adhere to the same policy, endeavoring to preserve their individuality and independence. Considering all things,



and not the least of them the policy of the Federal Trade Commission to protect the humblest American exporter from unfair dealings, it may be assumed that under the Webb-Pomerene Act, no combines for export trade will be formed which will be destructive to the individual welfare of the smaller exporters.

We may look, however, for very large combines in some "heavy industries," for these are for the most part operated even at home by large combinations. We may also look for combines in many other industries but they will be formed rather through joint agreements than through cleverly centralized management.

### **Example of Selling Combine**

Before the war the foreign trade of one American industry suffered greatly from the effect of the competition of its members in foreign markets. Upon the return of normal conditions, it seemed certain that trade would be resumed with a recurrence of the former unsatisfactory conditions. Foreign buyers, as formerly, would combine to present a united front against the American exporter, and the playing of one against another would lead to underbidding, with the result that, as so often had occurred in the past, the combined foreign buyers would obtain the product below a fair and reasonable price. Most of the concerns in the industry had suffered so much in the past from this competition and were so fully convinced of the wastes involved that they were ready to cooperate by forming any practicable kind of joint selling organization.

Tentative plans were first drawn up which included the finding of a man who had made his mark as the foreign sales manager for one of the concerns, and whose integrity and impartiality were approved by all. He was to be engaged as general manager. Desirable locations in a number of foreign

markets were then to be secured simply by taking over branches already maintained there by one or another of the participating concerns. There was abundant past experience from which to plan the office management and sales organization, to work out the details of selling, credits, financing, shipping, and traffic, and to draw up a budget of probable financial requirements for a joint selling campaign.

### **Form of Incorporation**

A corporation was finally organized under the laws of one of the western states, with \$150,000 capitalization, entirely of paid-up common stock, and its purposes carefully limited to those permitted by the Webb-Pomerene Law. Only concerns which would agree to sell their entire export output through the corporation were eligible to become stockholders; no concern was entitled to more than one vote, regardless of the number of shares it might own; and no concern, or group of concerns, was ever to obtain a majority interest or dominating control.

To carry out these provisions, all shares of stock, excepting the qualifying shares, were indorsed in blank by the stockholder and deposited in trust with the stock trustees. Upon this stock the corporation had a first lien as security for the faithful observance by the stockholders of the corporate by-laws and resolutions and the performance of any agreements entered into or obligations incurred with respect to the corporation. In event of the stockholder's default in this regard, the board of directors was to tender to the stockholder the book value, not exceeding the par value, of his stock, less any indebtedness owing to the corporation. The stock held by the defaulter was then to be canceled and reissued to the stock trustees who in turn might sell it to concerns eligible to become stockholders.

According to the by-laws specified geographical groups of

stockholders were always to be entitled to a specified number of directors on the board and in the executive committee. Dividends were limited to 7 per cent per annum, and surplus earnings were to be retained for reserves, or expended in sales promotion in export trade, according as the board of directors might determine.

### **Agreements with Participating Concerns**

Each participating concern executed an agreement with the corporation, constituting the latter the exclusive agent for the sale of its product abroad during the life of the agreement. This export product consisted of a specified quota determined from time to time by the board of directors of the corporation. The corporation was to sell at the best prices obtainable and was to allot its orders fairly and impartially among the participating concerns in accordance with the quotas determined from time to time by the board of directors. Each participating concern agreed to accept and execute such orders as the corporation might assign to it. The corporation was to guarantee the payment of all open accounts and to settle for each shipment within thirty days, retaining for its services a commission of  $2\frac{1}{2}$  per cent. The agreement provided for no rebate upon this commission, and the only refund of any kind to which the participating concern was to be entitled was in the form of dividends upon the stock owned in the corporation.

### **Suggested District Sales Company**

Of late, suggestions have been made at several foreign trade conventions for the formation of a district sales company. The proposition consists in subdividing this country into geographical districts, each district comprising about a dozen towns in reasonable proximity, one of which will be the headquarters of the company which shall include all the exporting concerns within the district. These concerns would make,

through the district export sales company, a combined effort to market their products abroad, to secure competent help, develop export salesmen, cultivate foreign buyers visiting the United States, and provide for frequent meetings of its members. The details as to the nature of the organization, the amount of subscriptions for stock, the method of carrying on sales, and the distribution of orders, would be determined in each case by local conditions and the desires of the members.

The idea behind this plan is new and it has not, at this writing, been put into actual practice. No doubt sooner or later some such method will be put to a practical test. It will be particularly welcome to the manufacturers who are a considerable distance from the seaboard, to whom export activities are a novelty and who are not producing for export in quantities large enough to justify their making export efforts through one of the types of the selling organizations already tested and found effective.

It must be remembered, of course, that the full value of the Webb-Pomerene Law will be uncertain until some of its provisions have been tested by the courts. In the meantime, however, it appears to be a boon to the exporter—to offer a freedom of action in the matter of organization and expansion which the exporter has sadly needed hitherto. If he is wise he will give the new law careful study and ask himself how best it may be applied to his type of selling organization or to his export plans.

## CHAPTER XX

### GOVERNMENTAL SUPPORT OF FOREIGN TRADE

#### **Achievement in Foreign Trade**

Most of the world's trading nations have taken centuries to bring their foreign trade to a high state of development. For hundreds of years, England, Holland, France, and Belgium have chartered companies with political powers and purposes for the promotion of trade in foreign lands. The foreign trade of Germany on the other hand has been developed within twenty years. Despite certain features which are unworthy of commendation or imitation, Germany's rapid expansion in foreign trade constitutes a genuine achievement. For America, it contains a valuable lesson so far as it was due to careful preparation, co-operative methods, and governmental assistance. The question of governmental assistance constitutes the subject matter of this chapter.

Germany's foreign trade organization was centered in Berlin and rested on the Reichsbank which gathered into one center of influence the threads of the network of commerce scattered throughout the world. To this center, the government lent all the assistance in its power, and to it the banks, transportation companies, manufacturers, and every other essential factor lent their effective co-operation.

By means of this organization everything that was potentially harmful to commercial expansion was eliminated and all that was beneficial was acquired. Foreign trade was aided by the German government in every possible way and the conquest of foreign markets became a great national ideal and aspiration.

### **Basic American Organization**

What America most needs to advance her commercial expansion is the establishment of a center of co-ordination of all the essential factors within the nation. These are the manufacturers, the bankers, the transportation interests, and the political and governmental factors.

There is no one more vitally interested in such a plan from the standpoint of self-interest than the manufacturer, and on him rests the burden of initiative. The manufacturing interests are just awakening to their opportunities but there is still much to be desired among them in organization, understanding, initiative, and co-operation.

The banking and financial interests can be of great service in the extension of credit facilities, the financing of exports, the establishment of branches in foreign countries, and in other ways essential to the conquest of the world's trade.

The transportation companies can, if permitted by law, make their rates suit the exigencies of our foreign trade expansion and provide the facilities that shall help instead of hinder our importing as well as our exporting activities.

Perhaps the most important of all factors are the political and governmental. Unfortunately the United States has no continuous foreign policy except in the broadest sense. A policy which is casual and extemporaneous is worse than useless. The present situation is due largely to the fact that our political parties have no definite foreign aim. Only when each party feels itself responsible for definite results will there be an improvement in the political agencies by which the results are attained. We cannot even hope to ameliorate conditions, or to improve the administrative and legislative attitude toward foreign trade, until the commercial interests are sufficiently organized and influential to make the extension of foreign trade by definite means a plank in the platform of each political party.

### **Need of Governmental Help in Foreign Trade**

The United States should support our foreign trade not so much in the hope of duplicating Germany's rapid expansion as to neutralize certain present deficiencies that now operate against success. These deficiencies are:

1. The lack of trained diplomats.
2. The lack of definite national aims.
3. Our general unpreparedness.

Only those who are thoroughly familiar with the requirements of foreign trade can fully realize how much the diplomatic service can aid in its promotion. Diplomacy embodies in most countries the policies of parties, the desires of the people, and the acts of the government. Without a consistent policy, so that the ends to be served are definite and clear, American diplomats must always be at a disadvantage. The American diplomat, lacking in special training and without a policy to guide him, must generally fail in dealing with the skilled representative of a foreign power who, in addition to his special equipment, brings to his task the well-laid plans and clearly defined policies of his government.

The American representative abroad is as a rule unable to safeguard the industrial, commercial, and financial interests of the United States in the country which he represents because of his lack of a comprehensive grasp of the conditions of trade and policies of government throughout the world, and his government's failure to provide him with a well-defined policy.

Even with an adequate governmental representation and policy we should still be in a state of unpreparedness. We do not yet realize the immense benefits of foreign trade to the nation engaged in it up to capacity. The vehicle by which our country will become completely ready is public opinion. It is the dynamo that will set in motion all the separate activities

toward the great design that should become our great national ambition. When the time comes the great problem will be how to mobilize speedily and effectively. Then even the man in the street will feel the imperative need of a strong central organization.

### **Form of Organization**

Americans are generally averse to direct governmental control of private enterprise and we may well hesitate to advocate a center of co-ordination of effort in which the government is a controlling factor. Under the former German plan of organization the control of the central body rested in but three men, the Secretary of the Treasury, who represented the government, the President of the Reichsbank, who spoke for the financial interests, and the head of the steamship combine, who represented the transportation and business interests. Were we to organize a similar body, the corresponding officials would have great power but they need not necessarily be autocrats. The influence and power of the majority would come from the co-operation of the organized factors of commerce to whom they would be responsible and for whom they would act. The board would then serve as an intermediary between organized politics and organized commerce and become a veritable balance wheel of progress.

As has been pointed out in Chapter XVI, there are many useful organizations which are performing valuable and important work in this direction. They do not pretend, however, to be able to mobilize the resources of the nation nor to provide an immediate means for a thoroughly aggressive and scientific exploitation of foreign trade. But if we are to utilize our present opportunities and to secure our full share of the world's markets, we shall need a central co-ordinating body. In no other way can we truly nationalize American foreign trade.



**An American Board of Foreign Trade**

The creation of an American Board of Foreign Trade would furnish and would hasten our evolution as world traders. On such an American Board of Foreign Trade would sit the representatives of the factors mentioned above who are directly concerned in our foreign commerce, viz: the manufacturer, the banker, the transportation companies, and the government. A fifth member might be chosen by these four.

The President of the United States might appoint a representative of the government, the manufacturing and the other interests could each have a suitable man appointed through their national associations. It would not then be a self-constituted body, representing only certain interests and aiming to promote only those purposes that are agreeable to those special interests, but it would represent and aim to promote all the interests within the nation. Only such an organization can mobilize all the resources of the nation for our commercial expansion abroad.

**Specific Activities of Board of Trade**

The representative of the bankers of the country could arrange for the establishment of enough American banks abroad to afford facilities for American investments in foreign countries. Trade no longer follows the flag to such an extent as it follows invested capital and banking, both of which co-operate with the trader in his campaign for business.

The representative of the transportation interests could bring about a thorough understanding and continual co-operation in providing the American trader with adequate shipping facilities. He could mobilize the American-owned merchant marine, and supervise its co-operation with the American railways, enlarging their service and providing a joint rate for all foreign shipments from whatever part of the country.

The representative of the manufacturing interests would perhaps have the hardest task of all. He would have to establish such selling facilities abroad as to afford the smallest manufacturer an opportunity to sell his goods in foreign markets. At present only the largest manufacturers enter foreign trade under favorable conditions and even then they work under a severe handicap and in the face of numerous obstacles which could easily and quickly be overcome if there were anyone who had authority to act for all. Such an official might devise a method by which smaller manufacturers, either of competing or non-competing products, could establish joint selling agencies abroad on a co-operative plan and thus he might become an effective means of organizing co-operation amongst other manufacturers.

The representative of the government would serve as a necessary link between the commercial organizations on the one hand and the governmental support on the other, securing the perfect co-ordination of the two and promoting the adjustment of legislative acts, public policies, and diplomatic service to the highest requirements of foreign trade.

### **Importance of Proper Organization**

It is most essential that such an institution should contain the representation that has been suggested. Unless it were so constructed and had the backing of great interests directly concerned with foreign trade, it would not be able to accomplish the desired results since it would not have the necessary authority to speak for the great interests, nor would it have the financial support required to engineer a movement on such a vast scale. If, however, it is constituted as outlined above, it can enlist the entire time and services of the men capable of administering such an organization. It is useless to try to work out the solution of the problem in the manner here advocated by means of the usual methods employed by the

forms of trade organization considered in the discussion of foreign trade auxiliaries (Chapters XIV, XVI). The calibre of the men required by such an institution would be similar at least to that of the men who constitute the Federal Reserve Board.

### **General Functions of the Board**

The board advocated could in a measure supplement the activities of our Department of Commerce in so far as it concerns itself with foreign trade, but its primary function should be to mobilize the resources of the nation in behalf of the extension of our foreign trade. This it would do, not so much through the collection and dissemination of useful information, as by acting as the center into which all the lines of our national endeavor in the direction of foreign trade would converge, and which would not only promote the necessary activities, but also devise a means therefor, and in a measure supervise their execution throughout the world. Its usefulness would also be great in the formation of public opinion and its proper direction towards the creation of a nation-wide enthusiasm for foreign trade. Such a body could enlist the proper attitude of Congress, as our commercial expansion abroad should receive the favorable support of everyone.

Again it may be emphasized that in order to fulfil its purpose such a board must be a body representing all the great interests directly concerned in foreign trade, and be guided and administered by men of experience, prestige, and ability.

Such a board of trade could engineer the project of maintaining national selling agencies abroad by means of exhibits of our products and of sample distributions in all the great trade centers of the world. It could also operate an effective trade intelligence bureau. Through its commissioners in foreign countries it could supplement our diplomatic and

consular service with a highly trained staff of experts in foreign trade through whom an intelligent and forceful co-operation with our foreign service in every part of the globe would be assured. It might even, through its departments or branches, undertake to conduct commercial negotiations and even to make sales of American goods abroad.

Certainly, an institution of this sort would be a powerful stimulus to our foreign trade, co-ordinating various activities now working in that direction and presenting a strong, aggressive, intelligent, and organized front wherever the interests of our international commerce demand it.

There would seem to be no other way in which the resources of our nation could be so quickly mobilized for scientific foreign trade expansion, although a central co-ordinating body might, of course, be established by some other means or be called by some other name.

**PART III**  
**OPERATING A FOREIGN TRADE**  
**ORGANIZATION**



## CHAPTER XXI

### THE DEVELOPMENT OF A FOREIGN MARKET

#### Attitude Toward the Foreign Field

The United States is a most progressive country. In less than a century it has accomplished more in the way of invention, finance, and general commercial progress than any country of the old world in twice that length of time. Since the war has seriously crippled the other great nations and impaired their leadership in the world's progress, it falls to our lot to place our unimpaired resources at the world's service and to take the lead in continuing the world's progress and in preserving its commercial and financial balance. The expenditure of even a part of the business energy that we have shown at home can accomplish these results abroad, if our efforts are properly directed. We can aid in revolutionizing methods now in vogue and in the setting of new standards and the raising of new ideals in commerce.

The first step is to cease to consider our country as the only possible field for business operations and to begin to think of the whole world as our market. Nor must we be content with selling our goods abroad. We should extend our business operations in foreign countries to investments, banking, and the constructive development of natural resources. If we wish to develop extensive markets abroad for our manufacturers we must use our surplus funds to help develop the resources of the countries with which we are dealing. We must go even further—we must not only act as bankers but we must aid in the industrial developments in foreign countries as we have done at home.

Our men of brains and initiative must build railways, develop mines, and with the introduction of newer and better machinery and implements improve the agricultural methods of foreign countries. Railway construction will keep our factories busy in manufacturing locomotives, cars, and tracks, and the other developments will give us employment in supplying tools, machinery, and other finished products. The building of a railway opens the surrounding country, and creates new fields in which our salesmen may sell their goods.

The stability of our manufacturing interests can be attained only by creating the widest possible market for our products. In investing our surplus funds in the developments of foreign countries, we encourage the countries thus benefited to favor us with their trade and to prefer us in various other ways.

Not only should our bankers and the public be educated to appreciate the advantage accruing to us as a nation through the extension of short- and long-term loans to foreign governments and corporations, but the business man should be taught to realize that in many instances the expansion of his export trade may be greatly facilitated by creating extensive local channels of distribution. Thus for example, in some instances a manufacturer will find it to his advantage to establish retail stores in the country which offers special opportunities for his product. Again, it may be advisable to establish distribution centers necessitating in some cases the building of warehouses and of assembling plants.

### **Developing a Foreign Market**

The first steps in developing a foreign market will be identical with those employed in the expansion of any business. Next we must cease to rely entirely on the middleman or even on the local importer and seek mainly, strongly, persistently, and intelligently the ultimate consumer in foreign countries.



To accomplish this necessitates wise planning, sufficient capital, and the nucleus of an organization.

The first field of operation must then be decided upon and where the interests are large enough to justify the expense, a competent man be sent to investigate and to pave the way. To select such man is no easy task. What sort of man must he be?

### **The Investigator**

The man who will be successful on a business mission of the sort under discussion must be a man of parts. It would be very desirable if such a man had been abroad on former occasions and had had experience in meeting foreigners even if only in a social way and casually. A college education may help but it does not necessarily fit a man for such a position.

It is a difficult thing to find properly qualified men for such a task. The matter would be greatly facilitated if the government—say the Department of Commerce—were to keep a record of the men available for this purpose and supply information concerning them, so that a manufacturer could readily obtain such assistance when needed.

Sometimes it is easier to find a suitable man than to provide for his remuneration and expense. Good men command good pay, and a worthy business mission should be properly staged. For these reasons the expense is usually considerable and this explains why many firms, though ambitious for foreign trade, do not enter the field.

### **Investigation Procedure**

To consider the course to be pursued by the commercial investigator will aid in obtaining some idea of his expenses.

In a country where class distinctions are strong and where the people are thoroughly influenced by external appearances, it is a good policy, in some lines of business, for the commer-

cial investigator to have a private secretary who is best a native. The secretary would answer telephone calls, write letters, secure appointments, call on officials and merchants for the purpose of making business engagements or extending invitations on behalf of his principal, and otherwise help him to maintain a dignified and proper position.

### **Letters of Introduction**

The investigator's letters of introduction should be mailed to reach their destination a few days before he calls in person. Too much value should not be attributed to the stereotyped introductions from governmental sources, unless they are of a personal nature. As a rule the United States representatives abroad do not pay any particular attention to such letters.

A stereotyped copy of the letter issued by the Secretary of State when solicited through proper channels is here given:

DEPARTMENT OF STATE  
UNITED STATES OF AMERICA

To The Diplomatic and Consular Officers  
of the United States.

Gentlemen:

At the instance of the Honorable Mr. X., a representative of the United States from the State of . . . . ., I take pleasure in introducing to you Mr. Y. of . . . . ., who is about to proceed abroad.

I cordially bespeak for him such courtesies and assistance as you may be able to render consistently with your official duties.

I am, gentlemen,

Your obedient servant,

JOHN DOE,

Secretary of State.

Such letters, however valuable they may be as a means of identification, should not be overestimated as an aid to getting business. Their practical commercial value is very doubtful.

Personal letters from Congressmen and officials to consuls and ambassadors are of more value, particularly if such offi-

cials are personally acquainted with the foreign representative to whom they address the introduction.

Letters of introduction from banks are, as a rule, of little value except as a means of identification and in securing banking courtesies.

The best of all are personal letters from friends, relatives, or business associates at home to those abroad.

### **Deportment**

It should always be remembered that the commercial representative, particularly if he is of the competent type described above, will meet with a great deal of courtesy abroad, especially from bankers and business men. He will receive much more consideration there than he will in America, and he should be capable of turning it to good account by making the most of his many opportunities.

Manners and politeness count for more in foreign countries than external appearances or the display of wealth. One must never be insistent or pressing if one wishes to enter into satisfactory business relations with foreigners. They are apt to construe insistence as rudeness. If the representative is tactful, however, and if he will proceed in the manner permitted by the customs of the country, he can get what he wants at the proper time and place.

In some countries the representative may be lavishly entertained. However strong the salesman's inclinations he must remember that abroad it is considered rude to "treat" a person while you are a guest. The usual thing is to accept all the courtesies that are offered, without any effort to reciprocate; but within a certain time the host should be made the guest.

The entertainment of a person on a business mission still prevails extensively abroad, and the commercial diplomat should inform himself on his arrival in the country as to the custom and etiquette upon this point.

Although in most foreign countries display of any kind is considered bad form, there are exceptions to the rule. In Russia, before the revolution, some large transactions were negotiated and important contracts closed as a result of lavish entertainment.

### Obtaining Data

The first thing for the investigator is to obtain all available data bearing on his business and to verify such data as have already been obtained at home, so that a chart can readily be prepared which will be scientifically correct. The next thing is to ascertain the names of the managers of all the principal houses dealing in the products in which he is interested. He should then make appointments to see them. Sometimes the merchant can even be brought to call on the representative, instead of the latter calling on the merchant.

As a rule, more data of a general character can be learned from the tradespeople than from all other sources combined. The representative must use his judgment as to how to abstract such information, but he should have the qualifications that will assure his obtaining it. He may also endeavor to establish business wherever convenient, but this task should be deferred until all the data have been secured and the trade diplomat has become convinced that the opportunity is there and the market is ready for his product.

It is always well to remember that hurry is not a part of the foreigner's scheme of life. On the contrary it is rather distasteful to him and therefore is to be avoided. In many countries all business life moves slowly, but once trade is established, it is usually firm and steady.

All the preliminary study of the foreign market should be directed towards the end of procuring the necessary data for the preparation of the charts shown in Appendix D. Once the chart is available, the business strategist or the strategic

board is ready to decide whether the particular field is worth cultivating. Thereafter the chart will serve as the basis for the preparation of the selling plan and the selling campaign. With the completion of the chart of the market the representative's mission is ended. He should, however, be freely consulted by those who are to decide upon sales plans.

### **Time**

The time required for an investigation will vary with the country to be exploited and the nature of the goods to be sold. In any event the investigator should have at least three weeks in which to secure the necessary first-hand information. If he is to form connections or to make sales, or both, the length of his stay should be correspondingly longer.

As a general rule, if a man is to go abroad to secure information and to form trade connections, or even to try to make introductory sales, his stay should be at least six weeks.

### **Expense of an Investigator or a Sales Representative**

It is a fair estimate that not less than \$600 per month should be provided for the expenses of the investigator. Hotel bills and transportation will be but a part of the necessary expenses. Not infrequently he is obliged to entertain. In many countries a social basis must first be established between the buyer and the seller and this involves expenditures for dinners, suppers, theater parties, etc. Almost invariably the representative must solicit help from foreign government officials, United States consuls, and officials of trade organizations, asking for information or introductions. He can acknowledge these favors by entertainment of one kind or another. Very often he must actually pay for the aid rendered, either through the employment of some intermediary or by employing assistants in each case.

Six hundred dollars will not go very far as a usual thing,

even under normal conditions and in a country where normal prices prevail, as will readily be seen from the following typical items:

Room in a first-class hotel (\$4-\$5 per day) . . . .	\$120-\$150
Meals, carfares, and small miscellaneous items (\$8-\$10 per day) . . . . .	240- 300
Cables home . . . . .	50
Entertainments . . . . .	150
Secretarial expense . . . . .	100
Or a total of \$660-\$750 per month.	

### Export Office

Next to consider is the question of an export office. On this subject a great deal has been said and written. Some advocate that an export office should be established in New York. Others are satisfied to have it at the factory. Some insist on a separate and distinct export organization—others advise half-way measures. It does not really matter where the export office is located. At the outset the exporter should regard his foreign trade merely as an extension of his business and as much a part of the whole undertaking as a concern located in Rhode Island regards its trade with California. A Rhode Island concern undertaking to develop a national business will not at the outset establish an office in New York, nor necessarily create a separate organization. It will proceed to do business with California precisely as it does business in Connecticut and other near-by states. It will simply add sufficiently to its forces and to its resources to provide for the extension of its business. Exactly the same course should be pursued when foreign trade is contemplated.

In export trade there are, of course, intricacies not met with in domestic trade, but to overcome these one need not add more intricacies and thereby complicate the situation. If foreign trade problems are treated as domestic trade problems are treated, all will come right in the end.

Organizations to handle exports will differ according to the export policies in each case. If the house proposes to conduct a vigorous mail campaign with foreign countries and to deal largely with export merchants instead of engaging in direct trade, a separate office located preferably in New York would be advisable. If, on the other hand, the concern proposes to employ travelers or to establish branch offices abroad, it makes little difference where the office is located and it might be a distinct advantage to have the export department located at the factory.

### **Expenses and Returns**

In an estimation of what it will cost to establish a foreign trade and how long it will be before the money thus invested will come back, it must be remembered that the development of foreign trade is a slow process. Those who would be successful in their overseas commercial expansion must be willing to wait for the seed to grow up. Overseas trade must be patiently and constantly cultivated. If the goods are of the proper quality and the foreign connections are intelligently made and judiciously kept, one can rest assured that the business will pay handsomely in the end.

As already stated, a concern which is not prepared to expend a reasonable amount on preliminary work in establishing its trade abroad should keep out of the field. It should not even contemplate a serious foreign trade propaganda. Should the project, however, be attempted, it is sometimes possible to develop two and even three near-by countries with but little more expense than the cost of developing one.

Ordinarily a year should be allowed before the money invested in a foreign enterprise is expected to begin to show appreciable results or before the business can be considered to be upon a paying basis.

It is not a good policy to expect large profits during the

time the concern is establishing itself in a particular market or unduly to push its activities in order the quicker to realize financial benefits. To pursue such a course would be to run the risk of endangering the stability and permanence of the whole undertaking.

### **Co-operation**

Oftentimes it is just as easy to secure information for a dozen concerns in the same line as for one concern; hence it would often be economy if a number of manufacturers, particularly non-competing producers in the same line, would combine and send a first-class man on a joint investigating mission. They could then be properly represented, and at the same time the individual expense would be comparatively small.

But whatever else is omitted, no one who intends to venture into a foreign field on a fairly large scale should dispense with the proper reconnoitering of the field for his proposed venture. Such survey saves in the end both time and money.

### **Self-Developing Foreign Trade**

Of course, what has been said as to expenses and the inadvisability of launching into foreign trade without an extended and costly preliminary investigation does not apply to the smaller concern which sells abroad as opportunity offers through exporters, or foreign dealers, or by mail order advertising. Such a venture requires no investigation and usually but little preliminary work or expense of any kind. On the other hand, when such a concern is ready to go into foreign trade on a larger scale, the experience gained will frequently supplement or take the place of the investigation usually deemed advisable and thus greatly reduce the cost of the more ambitious undertaking.



## CHAPTER XXII

### PREPARING A FOREIGN SALES PLAN

#### **The Sales Plan**

The term "selling plan" is today applied to the general marketing scheme which includes the work to be done by salesmen and sales managers, the plan of advertising, and the basic selling appeals on which the attempt is to be made to get business for a specific product. It includes the size and kind of packages in which the product is to be marketed, the schedule of selling prices to the wholesaler, the retailer, and the ultimate consumer, the nature of the label, the guarantee, if any, and all the so-called "selling points."

Preparation of the plan of sales or the general marketing scheme is one of the most important matters of foreign trade strategy.

In each problem of distribution there are distinctive features, and every master of strategy must formulate the rules which are best applicable to the matter in hand. But there are general rules to be borne in mind in every instance and these may here be sketched.

The same order and thoroughness which guide military operations should prevail in every well-ordered commercial undertaking. This statement applies with peculiar force to the preparation of selling plans. The general staff of an army reduces all its plans to records which are carefully preserved. These are changed as the march of events changes the conditions and makes the old plans useless. A careful sales manager can make no mistake in employing similar methods.

There is certainly a place for the strategist in the formu-

lation of a plan to capture a new market. The first step in the building of a sales plan is usually to analyze the forces of the enemy, represented by the established competition which it will be necessary to overcome in order to market the product or merchandise to be offered for sale.

### **Information Required**

The first principle to be observed in the preparation of the plan of sales is, as has already been pointed out, the securing of accurate and complete information and recording it. If the information is incomplete or, worse still, is inaccurate, the plans will be defective, for, obviously, one cannot build right conclusions on wrong premises. The word "information" is here used in a broad sense including all the knowledge necessary to qualify one as a strategist able to arrange a selling plan for a particular line of product. Such information is as varied as it is extensive. It includes the study of the market in the foreign country under investigation, its supply and demand, the general conditions—political, social, and economic—the psychology of its people, the methods of sale and of distribution, facilities of transportation, advertising mediums, tariffs and laws bearing on the problem, costs, and so on.

In planning to market an American product in a foreign field, the first step must be an analysis of the complete data bearing on the distribution of the same or similar articles in the field to be undertaken. These data would include:

1. The character, or quality, and the quantity of the article sold.
2. The prices which are being obtained from the consumer, the retailer, the wholesaler, and the importer, if these middlemen are used, and, in any case, full information as to the methods of distribution.

3. The sales organization and personnel used by existing competitors to extend and maintain their business.
4. The advertising methods followed by competitors in distributing such goods.
5. The habits and prejudices to be overcome in the successful marketing of the new product or the profitable exploitation of a new field with an old product.
6. A careful estimation of the comparative cost of the merchandise, of the probable marketing expense, and of the investment apparently necessary for the establishment of a profitable business with the merchandise to be sold, considered with relation to the possible profits from the market as a whole and the likelihood of retaining the market, once secured.

### **Correlation of Selling Plan and Selling Organization**

The second principle to be borne in mind is to fit the plan of sales to the selling organization and the selling organization to the plan. An executive may conceive a very brilliant and feasible plan of campaign for the conquest of some foreign market. But he cannot execute the plan unless he has an organization for selling competent to carry it out.

It may happen the trader fails on both counts, as where he is carried away by the idea, not justified by investigation, that what he has to offer is superior to any similar product in the world. With this conviction he starts to carry out in foreign lands the most ambitious projects with a staff of assistants who, although thoroughly fitted for domestic business, are thoroughly unfitted and untrained for foreign business, with the result that his plans come to grief.

### **Elasticity of Selling Plan**

The next principle is: Other things being equal, that plan is the best which has the greatest elasticity.

Elasticity does not mean indefiniteness or uncertainty. These are fatal to any project. It means adaptability and flexibility. Conditions may change quickly and new circumstances arise which demand realignments. An unforeseen factor coming into play may at once necessitate a change in the direction or in the mode of operation. The plan must be so drawn that small alterations will not destroy the integrity of the whole.

Some people conceive the idea of promoting their sales through a novel way of advertising or by some original means of creating an artificial demand which they attempt to substitute for a selling plan. It is merely a method—a part of a plan. If one conducts his affairs by relying on one or on a number of such “plans” his business will depend on casual inspirations and extemporaneous, oftentimes inconsistent, policies and it will lack continuity of action, permanency, stability, and certainty of execution.

The plan of sales for any serious undertaking on a large scale should be comprehensive enough to include the fundamental policies of the concern and to provide a general plan of action including at least several special plans for extraordinary efforts to be made in one or more directions. Thus, the kind of publicity to be employed, the method or manner of selling to the trade, the number of salesmen to be employed, whether or not the concern should establish its office in certain countries, the amounts of money to be appropriated for different purposes, the expected volume of sales, and similar matters belong to the general plan.

### **Special Selling Plans**

A special plan is concerned rather with the details of execution when extraordinary efforts are to be made. If a company engaged in foreign trade aims, for instance, to secure a joint selling agency, by co-operating with non-competitive

producers, or to form a combine to control prices, such matters properly belong to a special plan which, while a part of the general plan, is fairly complete in itself and might be dropped or changed without seriously affecting the general plan.

The whole plan of sales should be definite and certain. It should contain the statement of the ends to be attained, and the practical means of realizing these ends. These means must be sufficiently flexible to adjust themselves to the ever-fluctuating conditions.

The foreign trade strategist must bear clearly in mind that in pursuing an immediate end, remote contingencies must never be left out of account. Many a time the tide of victory has been turned by some such unexpected occurrence.

### **Local Sources of Information**

One exceedingly important item that is usually omitted from the sales plan is a provision for the continuous flow of information regarding trade conditions in a particular foreign country.

It is the province of trade diplomacy to keep an eye on everything that transpires which may be of interest to the country which the diplomat represents and to transmit it to the executive who is responsible for the selling plans. This executive must know every detail of what is occurring in the country in which he conducts his selling campaigns, for sometimes a bit of information may indicate timely changes to be made in his plan of sales. Amongst the most important things on which he should always be kept posted are the activities of his competitors.

### **Concentration**

The principle of concentration has a wide range in foreign trade. A common offence against this principle is the use of too many mediums at the same time without special effort

in any one direction. Some manufacturer gets an idea that he should try to reach out for a distant overseas market. He then starts to experiment; he tries this and he tries that—not seriously, it is true, but strenuously enough to find at the end of the year that he has expended much valuable time without anything definite to show for it except an expense account, some little knowledge, and his experience. Such wastage is nearly always due to the fact that there has been no definite trade strategy formulated and to the consequent absence of any firm policy or rational plan of campaign.

Certainty of action cannot exist without a well-defined policy and plan. A writer of fiction may succeed by depending on the inspirations of the moment, but a business undertaking calls for systematic action, based upon preconceived ideas, which, to be of permanent value, must be woven into a system, reduced to writing, and placed on record for reference at all times. Foreign business is no exception to this rule.

### **Follow-Up Methods**

The follow-up plan to be used while salesmen are canvassing foreign territory should be more elaborate than the domestic follow-up plan. The salesman's call should usually be preceded by a preliminary communication from the house to the desirable trade abroad, announcing the prospective visit of the representative and sending such literature and suggestions as may create an interest on the part of prospective foreign buyers. The dispatch or the letters should be sent so that they may reach the prospect a few days ahead of the salesman's call. The continental companies usually leave it to their salesmen to announce their visit on their arrival in the country, but it would seem to be the better plan to have the announcement come from the home office and from the head of the concern, in the language of the country to which the salesman is sent. This letter should be written in the most formal and

courteous manner. Direct solicitation of business should be avoided. That should be left entirely with the salesman. The tone of the letter should be complimentary and dignified, aiming rather to convey the impression that the exporter is desirous of establishing friendly relations with the foreign house than to promote immediate sales. The following is a sample of such a letter:

Messrs. J. H. Arroya and Company,  
Buenos Aires,  
Argentina.

Gentlemen:

We take great pleasure in announcing that we have decided to send a representative to your city, Mr. X. Y., who has instructions to learn as much as possible about the conditions in your country in our line of business. He is leaving on the 15th instant.

We have directed Mr. X. Y. to call upon you on his arrival in your city and to convey to you our kindest regards.

No doubt Mr. X. Y. will be able to learn a great deal during his stay in your city and to bring back the knowledge which will be most useful to us in the establishment of cordial relations with the principal business houses in your country, and in improving our methods. We earnestly bespeak for Mr. X. Y. your favors, which we hope to be able to reciprocate in the near future.

With our best regards, we beg to remain,

Very cordially and sincerely yours,

.....

President of ..... Company.

The stationery upon which such letters are written should bear reference to banks and rating agencies at home, and, if possible, in the country to which they are sent. If the concern has satisfied influential customers in the country which the salesman is about to visit, such customers might be mentioned in a delicate way in the body of the letter.

Occasionally it may be advisable to send under separate cover a catalogue of the firm. As a general rule, however, this should not be done and the task of actually introducing

the goods and making the sale should, as stated above, be left to the salesman. The preliminary letter ordinarily insures the salesman a better reception. After he has made his call, his personal reports—with full details of the situation in every case—will be the best basis for the future follow-up work. There seems to be no better rule for handling this matter than the principle of requiring an accurate and complete report of every call made by the salesman and of the conditions of every established account, with the salesman's suggestions and recommendations for the follow-up work to be done.

### **Advertising as a Follow-Up**

Advertising is, of course, a follow-up means employed wherever practicable by the successful houses in foreign trade. It must necessarily be adjusted to local conditions and it is subject to the same special handling as any other form of follow-up work.

Certainly the house that sends its salesman out to call on the foreign trade and does nothing to keep in touch with such trade from the time the salesman leaves until he returns, perhaps a year later, is not realizing the full benefit from the personal work of its foreign representative. The work of the salesman should always be supplemented by correspondence and literature, as well as by seasonable quotations.

In some lines of business, and particularly in those which do not admit of the salesman's carrying samples on account of their bulk, it would be advisable to establish either permanent or temporary exhibition rooms for displaying samples.

It is not a good policy, however, to mention sales details of any kind in the letter which announces the salesman's trip. The representative of the right sort will find a proper way of bringing his proposed customers to the place where these samples are exhibited.

The salesman should be supplied with letters of introduc-



tion to the concerns or the individuals whose acquaintance the home office has already made through correspondence or otherwise. These people, including the officials of the United States government, should be asked to supply the salesman in turn with letters of introduction to various concerns of prominence. All such letters should be sent by the salesman after his arrival to the concerns to which they are addressed and should state the day on which he will call.

The average American business man may think that this is entirely too much ceremony and possibly in some lines this may be the case. As a rule, however, if the proposed sales are to be of any magnitude, these preliminary arrangements are almost indispensable to the selling plan.

### **Closing Sales by Mail**

On the receipt of the first report from the salesman the home office should adopt proper means for further facilitating the work of the man on the ground. Especially should he be aided in any way possible in closing sales which he may have had trouble in putting through.

If a sale fails because the prices or credit arrangements which the salesman is authorized to make are unsatisfactory, it may be found necessary to write to the buyer direct, but in most cases the policy should be to write or cable to the representative on the ground and not to the buyer.

While the home office is aiming to assist the salesman by such means as have been suggested and in other directions, his "morale" should also receive proper attention. An American in a foreign country is apt to be more easily discouraged and disheartened than at home. And as his state of mind plays an exceedingly important rôle in his undertaking, the concern employing him should frequently show that it takes an interest in his success. He should be communicated with by cable at least weekly and by letter as often as the mails can reach him.

**Co-operation in Foreign Sales**

There is one other highly important point to which every wise trade strategist should give most careful consideration and that is, whether it is better to enter the field alone or in co-operation with others. Those who are novices in international trade or whose business is comparatively small may do better in co-operation with others, either by establishing a joint selling agency or combining otherwise in the exploitation of the market. In such an event the plan of sales may have to be worked out on entirely different lines, necessitating a great deal of preliminary investigation which would not have been required if the plan were strictly individual.

The fact has already been stated but cannot be too strongly emphasized that the subject of co-operation has not as yet received in the United States the attention it deserves. In other countries, particularly Great Britain and Germany, great things have been accomplished in foreign trade through wise co-operation of the producers in non-competing lines. They have discovered profitable ways of combined advertising, distribution, and marketing of the product. As a matter of fact, export trade otherwise unattainable has in many instances been built and placed upon a stable and enduring basis through wise and proper co-operation.

Of course, co-operative methods are not restricted to buying and selling. There is co-operation between the commercial interests and the government, between the producer and the shipper, and also between the exporter and the banking interests.

If one form of co-operation is found to be unnecessary or impracticable there is generally some form of it which will be found suitable to commerce in foreign lands. For that reason alone, a wise sales engineer will give the subject of co-operation proper attention while he is drawing his plans for a selling campaign abroad.

### **The International Sales Manager**

To know the cardinal rules which enter into an efficient sales plan is to anticipate the difficulties of successful trade engineering—difficulties which can only be surmounted by an expert. A wise manufacturer will find that in the preparation of a permanent plan of sales he should enlist the services of an expert trade strategist if he can find such a one. The problem is not only where to find him, but by what qualities he may be recognized or should be selected. He should be a successful domestic trade builder engaged in the study of a particular market and in touch with men who know from personal experience the different angles of marketing, such as advertising, distribution, etc., in the particular field. A man of the right calibre will be worth all that he costs.

It is always wiser to spend more money on the preparation of sales plans with the certainty of getting it back, knowing that through such preparation the success of the project is insured, than to economize in working up the plans and fail in the end.

## **CHAPTER XXIII**

### **SELECTING MEN FOR FOREIGN SERVICE**

#### **The Elements of Success**

It has been asserted that the elements of success in the average commercial undertaking are 10 per cent luck, 10 per cent the nature of the business, and 80 per cent the character and personality of the selling and executive forces. Whatever may be the true proportions it is certain that in foreign trade the character, training, and personality of the salesmen play a far larger part in determining success than they do in domestic trade, and that properly qualified men are exceedingly difficult to find.

Foreign trade is not a simple thing. There is no more intricately adjusted mechanism than the trade of nations. Its undertaking on a large scale is always costly and the firm that is not prepared to send a properly equipped and highly qualified representative provided with ample funds and with full authority to act within the general policy previously determined upon, would better not enter the field of direct selling. The man selected should possess the following essential qualities:

1. Aptitude and adaptability
2. Special knowledge and training
3. The proper personality

#### **Aptitude and Adaptability**

The successful salesman may be assumed to have a natural aptitude for his work. One does not turn to salesmanship as the means of earning a living without some natural aptitude for approaching the stranger and winning his business.

Nevertheless, considering all that is at stake, it would appear to be a sound policy not to select a man for the foreign field until he has demonstrated his selling capacity in the domestic field and has shown some evidence of his ability to work effectively under varied conditions.

Of even greater consideration is the man's ability to adapt himself to a strange environment and to do business under conditions which are vastly different from any he has hitherto experienced. He must be at once a diplomat and a psychologist and above all he must have the quality of sympathy. Unless he can cultivate a strong personal regard for the people with whom he deals and a sympathy for their problems, the rest of his equipment will count for little. Sympathy is the secret of adaptability. Arrogance and condescension are fatal. The man who would succeed with the foreigner must fall into his gait and walk with him as a friend and equal. All this is, of course, necessary for any good salesman anywhere, but in the foreign field it is more needed than at home.

A "man of the world" is after all merely one who has learned the requirements of human association common to well-bred people everywhere and who can adapt himself with ease to the exigencies of every occasion, be it social or business. But even the most accomplished cosmopolitan is not to be expected to be equally at home everywhere. One of the sales manager's most important tasks is the selection of the type of salesman best adapted to the particular field he has in mind.

If the candidate is not well adapted to the selected field he will be neither happy nor successful. It is easier and wiser to find the one who is best suited to the field than to attempt to fit another to it. Until recently there were not a few ambitious American manufacturers who were inclined to attempt to fit the foreign environment to themselves. But in those cases also the lines of least resistance were eventually found to be the shortest distance to the objective.

### **Special Knowledge and Training**

There are still those who say that the only equipment necessary for the American salesman is his ability to sell goods and that special training—even a knowledge of the language of the country—is superfluous. All such talk is sheer nonsense so far as the type of man here under consideration is concerned.

Some lines of merchandise may sell without any great effort; they may sell at sight and a salesman is sent merely to show the goods and take the orders. These are rare instances; there are few lines in which an international salesman needs no special qualifications.

Generally speaking the salesman needs, besides his mastery of his line, some knowledge of the languages and the psychology of the races among whom he is to work, with some familiarity with their economic and social conditions.

Outside of highly technical lines, factory experience is seldom necessary in export salesmanship.

The knowledge of language, of course, is almost indispensable, and yet, in many countries, and especially in dealing with importers, commission men, and jobbers, a foreign representative will get along if he can talk French fairly well, and sometimes if he knows only English. This is especially true of nearly all the European countries and partly true of Latin America.

The great foreign-trading nations develop their foreign sales staff by first giving them a fundamental, theoretical training. They send them as clerks into foreign countries where they are educated in languages, in the ways of the people, and in all the practical aspects of foreign business. Finally they are brought back home for special training in their particular line of business. Only then are these young men considered to be ready to act as representatives.

A man can best be trained to act as an international sales-

man or representative in those countries where the same language is spoken as in the country to which he is eventually to be assigned. Even the greatest amount of training may frequently yield but poor results otherwise. The man who is successful in Latin America may be useless in Russia and conversely. In the case of foreign trade managers or advisers, no such intimate knowledge of the languages or of the conditions of trade in any particular country is ordinarily required.

### Personality

Personality must always be the most important element in determining the qualifications of the international salesman for his work. Under this head may be included besides those qualities of sympathy and *savoir-faire*, considered in connection with his adaptability, the salesman's selling ability, his character, his magnetism and persuasive powers, his physical condition, mental equipment, moral status, and working habits.

It requires a very delicate analysis to resolve the personal equation into its component parts. The easiest way is usually the natural way and one's intuitions are not often very far wrong.

In many countries international trade is still conducted upon a social basis. Even in Anglo-Saxon countries large sales are not usually made over the counter but in fashionable clubs, hotels, and not infrequently in private residences after a friendly dinner or at an informal luncheon. The Chinese call it "friend pidgin."

Here personal liking and respect play a large rôle and the salesman's personality and his adaptability is tested in the highest degree.

Given the right sort of personality the salesman will not lack an opportunity to bring his other qualities into play with some confidence of success. He should be able to establish

not only a receptive state of mind in his prospects, but that sympathetic interest which wins for him a decided preference, other things being equal. Then if he has his share of the other qualities which make for a proper personal equipment his success is sure.

### **The Right Man for the Right Field**

In selecting salesmen for the foreign field the sales manager will be called upon to show the same nice discrimination that he uses in choosing men for the different localities of this country. He sends one type of man South and a widely different type to New England or the Northwest.

In choosing men for Latin countries, Italians or Frenchmen should be given preference. They have the temperament and the manner best adapted to make them welcome. Native salesmen seldom do as well in these countries as the foreigner.

Americans are more successful in France, England, and in fact in all of the continental countries except Spain, Portugal, and such Slavic states as Russia, Poland, and Bohemia. In these latter countries a Slav who has lived long enough in America to become fully Americanized will be found most effective.

Americans also do well in Holland, Belgium, and in the Scandinavian countries. The English know best how to handle the oriental races. In Japan, China, India, Siam, Egypt, Persia, and in all the oriental countries an Englishman will do better, perhaps, than men of any other nationality.

### **Selecting the Man**

The process of selection of employees in America is too often highly mechanical and does not always meet the best business requirements. Too many men are selected by rule of thumb, except in cases where they may owe their positions to personal influence. The eternal application blank may be



effective and may save time in the case of routine employees, but it fails completely when it is applied to many of the exceptionally gifted and highly qualified individuals of foreign birth who might be so valuable to the exporter. To them it is often not only inexplicable but it is above all offensive to their susceptibilities. Until the would-be foreign trader is ready to understand the causes for what may at first seem to be the exaggerated "touchiness" of the foreigner, he is ill qualified for his calling.

In any event it is well to see every candidate. Frequently the man who is not inclined to write much or, perhaps, anything about himself is most worth seeing.

### **Age and Experience**

While in certain lines it is necessary to employ only men of successful experience, very often men of exceptional abilities who have had no business experience would and do make excellent executives or salesmen, excelling by far those with experience and special knowledge of the particular line. It is a poor policy to pass over such men without taking the opportunity of judging their personality.

The continental method of selecting men for foreign service never confines itself to young men. The managers of large exporting concerns are constantly on the lookout for remarkable men of exceptional ability and fitness regardless of age. They know that one such man when discovered is worth half a dozen young men of average ability. They also know that there are many instances of men who have missed their true vocation in life or, like Caesar, have only come to realize when no longer youths their natural calling and real ambition. So the continental business man generally keeps an open door as well as an open mind to all applicants of mature years who may come to convince him that they have a special aptitude or qualification for his business.

In England, Holland, and in Germany, men have been found in middle life who have proved themselves veritable geniuses in the promotion of foreign trade but who had no earlier training and indeed no previous business experience.

### **Tests of Candidates**

Personnel being the essential part of an organization, one must have a method of applying an adequate and proper test in its selection. This is determined by the aid of: (1) impressions, (2) demonstrations, and (3) analysis.

Impression is an unconscious form of analysis which is never a final test of personal qualification. Some men are gifted with the power to analyze a personality with great correctness through impressions which is in reality the gift of intuition. Most men who achieve great success as leaders have that power. It is advisable, however, only to use this test in connection with the other two.

Generally it is thought that demonstration is the most reliable test of personal qualities, but it is impossible to apply it always in conformity with the laws of continuity and change.

The most reliable test can be made only by an analysis of qualities. For instance, if a man is employed for a certain position you must, in addition to his special qualifications, consider his general qualifications, as physical and mental condition, moral status, habits of industry, and so on.

The employer should be guided by personal impressions formed through an actual demonstration of these qualities. Scientific analysis of character thus far has been applied in a very limited number of cases, but it should be a rule of our modern executive to apply such a test as far as possible. It would, obviously, save time and expense if an employee were to demonstrate his qualities before he is hired or promoted, rather than to depend upon the impressions formed of him by his superior.

It will be found that it will pay to take all these points into consideration and, in choosing a salesman for a foreign field, to make as careful an analysis of character as possible from every angle or point of view that may present itself.

## CHAPTER XXIV

### EDUCATION FOR FOREIGN TRADE

#### **Requisites for Salesmanship Success**

Salesmanship, like everything else in life, succeeds best when there is an innate ability, but to be most successful the salesman must have, in addition to his ability, a thorough knowledge of the article he is selling; he must be deeply interested in his work and enthused with his proposition and he should have fully decided to make salesmanship his life-work. Then, and not until then, will he have all the fundamental elements of success.

This applies to salesmanship in general. In considering international salesmanship a more difficult problem is presented, for the best domestic salesman will have much to learn when he enters the field of foreign trade. A smattering of the language of the country into which he is to be sent, his samples, and a steamship ticket never made an international salesman. In addition to all the qualifications of the domestic salesman he must know the people among whom he is to do business—their ways and their requirements, as well as their language. If he has never lived among the people with whom he is going to do business, instead of acquiring enthusiasm, he may receive a shock to his self-esteem.

#### **European Methods**

A man, no matter what his innate ability, cannot become a great lawyer without the right sort of preparation. The same thing is true in foreign trade and the science of foreign trade, like any other science, has its theory and its practice.

The great foreign trading countries, recognizing this, have brought international business to the point of a science. They educate and train their youth for the work in foreign countries with special care and according to scientific principles.

There are technical commercial schools in France, Switzerland, Belgium, and even in Canada, called by the French "Écoles des Hautes Études en Sciences Commerciales," which teach commerce as a science and confer degrees in Commercial Sciences.

There are two methods of scientifically developing the selling force. One is a technical school education followed by actual field experience, a clinical course so to speak; the other consists of substituting office training at home and abroad for the technical school education. Both aim to teach the same thing in a different way. Such methods are apparent in other lines of endeavor—law students, for example, frequently receive their entire education in law offices and in the courts, and army officers are frequently raised from the ranks.

These two methods may now be briefly surveyed and their requirements and scope noted.

### **Technical Education**

The technical schools where foreign trade is taught treat the following subjects: commercial geography and history, commercial policies of different countries, consular systems and requirements, transportation, insurance, packing, tariff laws and procedure and the commercial laws of the principal countries, industrial technology, the science of finance and of banking, languages, commercial usages of foreign countries, the theory and practice of statistics, and comparative trade psychology. From the variety of these subjects it can be inferred that the aim is not merely to prepare a man for salesmanship but also to give him a general education in the

domain of commerce, which, if followed by practical training and experience, will be helpful in qualifying him for any position.

Having completed the course in school, the youth is placed in the factory and later in the office where he learns thoroughly the particular business in which he is to engage. Finally, if he is destined for foreign trade, he is sent abroad as a clerk in some foreign house where he learns all the intricacies of the business as it is transacted there. In this way he gains a practical knowledge of foreign languages and learns the psychology and customs of the natives. After that he is ready for his work as a salesman or agent in the foreign field.

### **Practical Education**

The other method of preparing a man for foreign trade is to take a promising youth and give him a thoroughly practical education, without sending him to any technical school. He works in a factory for a few months and there learns the process of manufacturing and the nature of the goods he is to sell. Then he goes abroad to study under a local manager. When his superiors are satisfied that he knows enough he is given field work. Then, having gained practical experience, he comes home for final instructions after which he is ready for a permanent position as salesman in the country in which he received his training.

Much that is taught in technical schools is omitted in office training and the subjects which are taught are of more direct practical value. They are as follows: knowledge of the business and of the goods he is to sell; knowledge of competitors' goods and methods of competition in vogue; knowledge of the people—their language, customs, and the trade conditions prevailing among them; familiarity with the technique of salesmanship, including the methods of approaching a customer, closing a sale, renewing an order, and keeping a customer; consular and

custom house formalities and all that pertains to shipping, maritime insurance, etc.

Whether it is worth while to spend three years in a technical school and then to go practically over the same ground in an office, is a problem that each must solve for himself. Undoubtedly school training combined with office training is apt to bring the best results; but while school education may be dispensed with, a thorough office and business training in the field is considered as indispensable everywhere except in our own country.

### **American Education in Foreign Trade**

In America, formal instruction in foreign trade is given in the special schools of some colleges and universities. Among the best-known institutions offering such courses are: the Amos Tuck School of Business Administration and Finance of Dartmouth College, the Graduate School of Business Administration of Harvard University, the Wharton School of Finance and Commerce of the University of Pennsylvania, the Schools of Commerce at Columbia and at New York University, and of the Universities of Pittsburgh, California, Chicago, Michigan, Illinois, Cincinnati, and Tulane University. The methods and the curricula in all these American schools of commerce closely resemble each other. On the whole they bear a very close resemblance to the English institutions of similar kind, with some tendency to give instruction in the subjects taught by the continental high schools of commerce.

The main defect in the courses in these schools is that they differ little from the ordinary collegiate education, that only the most insignificant attempt has been made so far to teach the theory of foreign trade and that no attempt to teach its practice is yet evident. It is true that the fundamental studies leading to the knowledge of foreign trade need not be

markedly differentiated from those in the preparation for domestic trade. For instance, training in the principles of accounting, in the organization of corporations, in finance, in commercial law, and in commercial history and geography should be equally required from all students. But when it comes to the study of marketing methods and policies, if the educator wishes to initiate the student into the central activities of business, the mysteries of buying and of selling and the variety of interdependent factors, he should not be satisfied with teaching him the ordinary commercial geography and a jumble of miscellaneous information which, however interesting it may be, leads nowhere.

Signs of departure from this worn-out practice are beginning to appear. Colleges are opening special classes for the study of foreign trade; Y. M. C. A.'s are doing likewise. Some special schools are being opened and there are a few correspondence courses on the subject.

### **Status of American Education in Foreign Trade**

In so far as school training for foreign trade is concerned, the United States is merely in the initial stages. The attempts of our colleges and universities to establish special courses in foreign trade have too often presented defects such as those mentioned above, viz:

1. Too much reliance is placed upon purely theoretical and academic training without any background of practical experience or of business experimentation.
2. The courses are as a rule too general, embracing a great variety of subjects without proper specialization or sufficient concentration on the matters most vital to the future foreign trader.
3. The employment of the so-called "experts" in a special line as supplemental teachers or lecturers has



not been adequately supervised and has resulted in lectures on unrelated subjects and in a failure to secure proper co-ordination between theory and practice.

The attempts of the Y. M. C. A.'s, the mail courses, and the schools established by business concerns are defective in that:

1. The courses are, for the most part, inadequate and give no more than a superficial idea of the subjects taught.
2. They attempt to teach matters which to be understood properly require a mature mind or a broad preliminary school education which is not always possessed by the student of these courses.
3. There is an absence of actual practice in matters which cannot be mastered sufficiently from books and lectures, as for example the languages and a knowledge of the national characteristics of foreign peoples.

In so far as self-education is concerned there is a lack of properly correlated literature on the subjects that deal with foreign trade and there is also the difficulty of securing proper guidance.

### **Practical Training for Foreign Trade**

One of the greatest experts in the United States has this to say about training men for foreign work:

In a broad way, it seems that if the article were a piece of machinery or some technical product, the best place to train men for marketing it would be at the factory where it is made, bringing men from the countries where it was desired to market the product for a six months' or a year's study at the factory in America. Then have American factory men, versed in the language of such foreign countries, accompany the new recruit back to the proposed field of en-

deavor, forming a team composed of the man from the country where the marketing is to be done, who has had this factory training on the article made abroad, and another man, not necessarily a factory trained man, but a scientifically trained salesman who is familiar with the language and represents the factory and the American idea of marketing, to the end that this combination, representing the viewpoints of both America and the market, should successfully impress the trade and the consumers, through proper organization and advertising, with the merits of the merchandise to be sold.

There is much to be said in favor of bringing the foreigner to America to be trained on our products here, with the idea of sending him back to market them; on the other hand, there is much to be said for sending the trained American, who is entirely familiar not only with our products but also with our marketing methods and the policies behind our marketing manufacturers and companies, into the foreign field to study the people and the language and to represent us. The combination of the two would be the best means with which to begin the capture of a foreign market or to retain it permanently.

But whether the youth has been trained in an office and factory, or both in the factory and the school, it does not matter so long as he receives an adequate training. The question is how seriously handicapped is the salesman who has had no such training when he faces a well-trained competitor?

### **Natural Qualifications Required in Foreign Trade**

It must not be assumed that foreigners train their young men in foreign trade without due regard to their inborn qualifications, for they pay as much attention to these factors in selecting their trade representatives as they do in the case of their army officers.

Among the natural qualifications there is none more important outside of strong personality and capacity for work than "nerve." This term is not to be understood as implying the quality sometimes known among Americans as "gall" which is a species of arrogant independence and pertinacity that is impervious to any feeling of insult or consideration of the

other man's rights. By "nerve" is meant that state of mind which is not subject to discouragement and mental depression. This quality the world traders rank highest among innate qualifications. It is only too easy to become discouraged and depressed in a strange land among strange people. Once that state of mind overcomes a salesman he cannot be efficient any more than a coward can be an efficient fighter. Nerve is the salesman's courage.

### **Haphazard Training for Foreign Trade**

The usual way in which the American exporters enlist men for foreign work is first to find a man who speaks the language of the country with which the concern wishes to develop trade. Then if his character and previous record are found to be satisfactory he is sent abroad. Frequently such men are natives of the country into which they are sent but their sales experience, if they have had any, has usually been only in the United States.

Another way is to pick out one of the office force and induce him to study the language of the country with which trade is contemplated, give him some lessons in salesmanship, and then hand him a sample case and a steamship ticket and away he goes to battle for the conquest of the world's trade.

Sometimes the training in foreign salesmanship begins and ends by having the prospective salesman learn by heart a "sales talk" which he is to recite before those whom he will try to win as customers. Such a sales talk may have been written by a man who never saw a foreign country and who knows absolutely nothing of the conditions there or of the characteristics of the people. Frequently these talks are written by a person who never interviewed a prospect or sold a penny's worth of goods. What wonder that the American salesman with such preparation finds himself tremendously handicapped in the race against his European competitors.

Some firms attach much importance to the sales talk but, after an extensive study of the subject, no case has been found in which it has been used successfully in foreign trade. It is seldom used by the best salesmen even in the home trade. Its usefulness consists largely in strengthening the memory on principal points of merit, or arguments in favor of the merchandise.

The manufacturers who insist that their salesmen should know the manufacturing end of the business as thoroughly as it is known to the technical staff of engineers are also often wrong. The idea that the man who knows all the intricacies of the manufacture of a given article will necessarily be able to explain the proposition better to the prospective purchaser is a mistaken idea. It is often more difficult for a highly trained technical man than for one of less technical knowledge to explain a complicated mechanism so that the layman can easily understand it. Some knowledge of the manufacturing end of the business is, however, a valuable asset and there are times when technical training is indispensable.

They are also mistaken who think that a man must have a long association with a particular line in order to qualify as a finished salesman in that line. A born salesman can, after a brief study, sell locomotives as easily as he can sell peanuts and popcorn.

### **Why We Have Few Salesmen Qualified for Foreign Trade**

While, as has been pointed out, an increasing number of our American institutions are offering opportunities for the study of foreign trade, there are not as yet any institutions that offer the complete technical and practical training accorded to the salesmen of our European competitors. Our business schools until recently prepared youths only for clerical work. Unfortunately also we have no sources from which to draw the supply of our international sales staff. All our

preparation up to the present time has been desultory and empirical.

For these reasons salesmen properly trained for foreign trade are few in number and difficult to find, which accounts in a measure for the transaction of so much of our business through the commission houses.

It would seem that the best way for a concern to develop its foreign sales staff would be to select a number of capable young men, give them the necessary theoretical education, train them in its business, and send them abroad into the countries where the firm proposes to trade. They should remain there at least a year and learn the languages, the ways of the people, and trade customs.

In some few cases it may be possible to secure former employees of the Department of Commerce who have served in the country where the concern is interested. Satisfactory results are not necessarily obtained by employing foreigners as salesmen abroad. The thing for the exporter to do is to develop his own staff for foreign work as he develops it for local work, and if he understands his business he need not fear the results.

## CHAPTER XXV

### EDUCATION FOR FOREIGN TRADE (CONTINUED)

#### **The Export Office as a Training School**

When a business man begins to study ways and means of extending the methods of marketing his product to foreign countries and seeks to learn something about the mechanism of exporting, he is beginning to take a course in foreign trade in the school of practical experience. In many cases this is the only school in which the exporter studies and under simple conditions it is all that is required. But the modern educational tendency is to combine where possible practical experience with a thorough grounding in principles and theory, and the wider the range of a business man's commercial knowledge, the better equipped is he.

Until our American educational institutions begin to graduate men thoroughly trained in both the theory and the practice of foreign trade, the task of training his staff will continue to devolve upon the exporter himself. When he becomes convinced of the futility of sending unqualified representatives into the foreign field, and becomes tired of having incompetent clerks encumber his office, he will realize that it is not only necessary for him to train his own men, but that such training offers to him an opportunity of producing a staff which will be far better equipped than that of many of his competitors. The exporter himself in many cases is better qualified for this task than are some of the professional instructors.

If he uses common sense and keeps his objective clearly in mind, he may produce results that will compare favorably with those of professional schools in practical results.

### **The School and Shop Method**

There is an increasing trend in modern education towards vocational instruction conducted simultaneously with the more formal and conventional work of the classroom. This has found expression in what is sometimes called "The School and Shop Method" by which boys are enabled to spend part of their day in acquiring the rudiments of a trade in a shop or factory, returning to school for formal instruction later in the day. This system has brought such boys a small income, has satisfied their desire to earn money, has supplied the shop with picked apprentices, and has not deprived the boys of the school training without which they would be handicapped all their lives.

So far such opportunities have been almost entirely restricted to the shop and factory. Many boys have failed to take advantage of it, owing to the more or less mistaken prejudice against "overalls and jumper." Were similar chances in an exporter's office open to our youth of high school and college age, there would be more applicants than places to be filled. Such young men would command a relatively small salary, they would have a very definite idea of what they wanted to become, and from them the exporter could recruit a picked staff that would be of great value to him.

Again, considering the subjects which form a part of the instruction for foreign trade in Europe, it will be evident that there are many of them to which the exporter could not do justice and might better leave to the evening school, the special school, or to the college lecture. Such subjects are economic theory, money and banking, history of foreign countries, commercial geography, foreign languages, psychology. At the same time there is not one of these subjects that will not be motivated, made more interesting, and transferred from the realm of theory to that of the pupil's own vocation by reason of his simultaneous training in the exporter's office.

On the other hand, the subjects the essentials of which are best acquired in the exporter's office, will take on a new and broader significance when the pupil receives the point of view of the college lecturer, treating them from an instructional and theoretical standpoint. In other words, the student cannot afford to confine himself exclusively to either the classroom or the office in his attempts to master any one topic.

When the exporter has selected his young men for training he should consider it a part of his business to see that they register in the proper institutions, attend their classes regularly, and make satisfactory progress.

### **Opportunities for Study of Foreign Trade**

In New York there are plenty of opportunities for the study of foreign trade, as indicated in the preceding chapter. These courses are offered at times that make it possible for the student to confine his study to evening and afternoon classes, or even exclusively to evening work.

In most of the larger cities the Y. M. C. A. offers courses covering at least a part of the subject. When such courses are not available there is the possibility of a mail order course. As already noted, all of these courses have their limitations, but their short comings can, in a large measure, be offset by the exporter's suggestions and his supervision of the student's progress.

When, for one reason or another, no formal instruction is available the student, if he is made of the right stuff, may rely entirely on text-books and educate himself. Here there is the great danger of becoming lost in the mazes of the subject. Foreign trade offers a vast field for study and its domain is not clearly delimited. A public library in one of our large cities once attempted a classification of books which relate more or less directly to foreign trade, but the classification



collapsed under its own weight when it became apparent that a majority of the books in the library, outside of the realm of fiction and the arts, had their bearing on this most comprehensive subject.

### **A Practical Course in Foreign Trade**

For the sake of the student who is willing to attempt to educate himself, as well as for the exporter who proposes to train his own staff, the following suggestive course in the study of foreign trade is offered.

In preparing an outline of a practical course in foreign trade the different types of position to be filled have been borne in mind. The curriculum should fit every demand and cover the entire range of practical foreign trade knowledge. While the student should give his attention to every item in the course, the guiding idea should be specialization.

The positions open in export service come under three general heads: (1) the investigator, (2) the salesman, and (3) the office man. To the first class belong the commercial investigators; to the second class the sales managers, traveling men, buyers, branch managers, and the active sales executive; to the third class the exporter, shipping clerk, bookkeeper, correspondent, and the office executive. It is obvious that while the student of every class must possess a general knowledge of foreign trade and that each class must specialize more intensively in some subjects than in others, those planning to go to a certain country must specialize further in what pertains especially to that country.

At the outset it must be assumed that everyone undertaking a course in foreign trade has a fairly good general education, that he knows his own language, some history, geography, arithmetic, and is familiar with the rudimentary business principles, organization, and commercial usages in his own country. If he has had a high school education, that

is a start. If he has had collegiate training it will help, but it is more important that he be level-headed, wide-awake, with some practical business experience. He will then be able to master this course of practical foreign trade within a period of two years. In some cases from six months to a year will be sufficient.

The course should include the following subjects:

1. Languages
2. Essentials of Economics and Business Technique
3. Foreign Trade Strategy
4. Salesmanship (Domestic and Foreign)
5. Commercial Law
6. Commercial Geography and History
7. Foreign Trade Machinery
8. Foreign Trade Psychology
9. Foreign Trade Technology
10. Banking and Finance
11. Practice in Foreign Trade

1. *Languages.* French and the language of the country in which one proposes to act should both be studied until they can be read, spoken, and written with ease and correctness: This can, of course, be done most easily and to best advantage by daily contact with those who claim the language as their native tongue.

French is particularly useful because it gives the foundation for other romance languages and because it is so generally spoken by foreigners. International business correspondence should be studied in detail in connection with the study of the languages.

2. *Essentials of Economics and Business Technique.* Under the head of economics and business technique should be taught something of the essentials of organization and machinery of modern business enterprises. Among the sub-

jects studied should be advanced accounting, statistics, foreign policies and practices in the principal businesses both at home and abroad, relation of imports to exports, and of finance, transportation, and banking to foreign trade. Principles of business, wholesale and retail merchandising, questions of the day, export problems, the elements of political economy, and business procedure in the selected field, should receive careful attention.

3. *Foreign Trade Strategy.* The student should be taught how to obtain strategic business information. For this purpose he should study from the directories, the names, locations, and functions of trade organizations and government bureaus from which trade information can be obtained. He should also learn something of the principal foreign markets and the names of some of the most prominent foreign firms and dealers throughout the world. He should familiarize himself with governmental activities in foreign trade in the principal countries with the lists of official publications, advertising mediums, and books and articles bearing on the subject.

4. *Salesmanship.* Under the head of salesmanship will be taught the art of buying and selling, the psychology of the sale, with special reference to conditions and methods in different countries. Not merely barter and sale, but selling methods, sales organizations, the manner of approach in different countries, and the different classes of merchandise should be considered. Selling by mail, marketing plans, policies and methods, the framing of circular letters and of letters of inquiry, the use of cables and office practices abroad should also be included in the course of study.

5. *Commercial Law.* The student should know something of commercial law in general with special reference to its status in the different countries of the world. It is most essential that he should know the consular requirements and formalities, custom laws and regulations, laws relating to

samples, travelers, and printed matter, the law relating to trade-marks, patents, maritime law, and marine insurance.

6. *Commercial Geography and History.* The value and necessity of the study of commercial geography and history are self-evident. The one gives the most essential and concrete information concerning those elements that determine trade opportunities; the other assists in the understanding of present conditions by a study of the past.

7. *Foreign Trade Machinery.* The student should be taught the theory upon which export and import business is built and conducted and the detailed functions of each factor in foreign trade. He must learn the principal export and import organizations in his own country, their types and their methods of operation, the workings of exchanges, of insurance concerns, and of transportation lines.

8. *Foreign Trade Psychology.* By foreign trade psychology is meant the study of the principal markets of the world as regards their structure, the character, temperament, tendencies, and usages of the people whose desires, mode of living, wants, and aspirations are represented by the market in which they are concerned. This study of conditions is usually first carried on at long range and later followed up by actual observations by the student on the ground. It should include also the psychology of sale by advertising and mail order.

9. *Foreign Trade Technology.* Foreign trade technology includes the study of the principal negotiable products as regards characteristics, species, qualities, and defects of merchandise. It embraces also an analysis of the methods of receiving, packing, carriage, storage, and manufacturing for export, and of the systems of ocean trade routes and land transportation in the principal foreign countries.

10. *Banking and Finance.* The theory of money and banking should be mastered and the student should be familiar with international banking, its functions and operations. The

workings of exchanges, corporate finance, credits, collections, securities, and every practical detail of the foreign banking business should be thoroughly studied.

11. *Practice in Foreign Trade.* Practice in foreign trade should consist of frequent visits—individual and group—to the business, banking, industrial, and other establishments engaged in foreign trade for the purpose of observation.

### **Practical Experience in Foreign Trade**

In the previous chapter the practical education in the field given the European students of foreign trade was described. There is no reason why the American exporter who has established himself abroad should not give to each of his young men a brief but valuable experience in his foreign branch office, or even in the selling field itself in company with one of the older salesmen, if he can afford the expense.

If the exporter has not yet reached the stage in his operations that permits him to do this he may still be able to obtain places for his men with other foreign wholesalers or importers, and it will profit him to do so even if he has to pay their salaries and expenses himself.

The exporter may as well realize that not all of those he trains will be worth the effort. The speedy elimination of those who fail to show promise is a kindness to them and a business necessity to the employer.

In conclusion it may be said that perhaps the chief elements of the future foreign trader's equipment are, after all, breadth of vision, a faith in American ideals and traditions, and a broad sympathy with the ideals and traditions of foreigners. Without these traits the best planned equipment and training will not count for very much.

## CHAPTER XXVI

### THE EFFICIENCY OF THE ORGANIZATION

#### **Fundamental Efficiency Principles**

The basic principles of efficiency which govern the development and management of commercial organizations may be stated briefly as follows:

1. The policy of the management should be based on co-operation with its employees whose prosperity should balance that of the employer.
2. The organization should be built on the harmonious correlation of the parts with the whole, the duties and functions of each employee being clearly defined and definitely known.
3. The principles of economy should be understood and practiced so as to attain an adequate equipment and effective personnel with the least expense.
4. The organization should be based on faith in the product and enthusiasm for the work.

The analogy between war and business has already been pointed out. Nowhere is this analogy more striking than in the matter of organization.

The efficiency of army organization is the result of the strict enforcement of the rigid scientific principles upon which the structure of the entire army is based. These principles are, in the order of their importance, as follows:

1. Clearly defined ideals and purpose.
2. An unvarying system of responsible leaders from the top down.

3. Strong and constant impulse from superior officers.
4. Unswerving loyalty of subordinate officers.
5. Thorough training of the individual units.
6. Intense esprit de corps.

These elements of successful organization are applicable to any enterprise which aims to achieve the greatest possible results. They constitute a working ideal towards which every manager must aim.

### Organization

The general form of organization must differ according to the nature of the business. Experience, however, has shown that a centralized type of organization is best suited to the modern requirements of foreign commerce. It is the type where individual arbitrariness and usurpation do not exist, but where all authority radiates from one center. It is delegated from the top down the line to the lowest subordinate, but is distributed through intelligent co-operation.

An illustration of a common type of an industrial organization is that in which the head of the concern delegates his power to his managers, they in turn delegate their authority to different superintendents, the superintendent passes it to the foreman, and so it goes down the line to the lowest "boss." The responsibility in each case rests upon the person who wields the immediate authority, although nominally at the top. The evil of this system is that the man at the bottom really runs the business and he is usually the man with the least training and knowledge. It is a system that depends upon the loyalty, energy, resourcefulness, and ability of each subordinate head. If any one of them goes wrong the whole edifice is endangered.

The modern type of organization of the constructive type gathers all the executive authority at the top, nominally in the individual head, but really in the staff of specialists who

advise the individual head of the concern and all his subordinates upon the matters in their special lines and who form a sort of general staff. In this case the authority permeates the entire structure and the organization draws its impulse to action from the counsel of the specialists at the top.

The management, like the organization, may be of a single or of a double standard. If a single standard, the export activities are interwoven into the fabric of the entire concern and although there may be a subordinate manager for the foreign activities yet such a department has no more significance than the accounting department. Under the double standard of organization, the export activities are entirely separated from the general business, in so far as their workings are concerned. The policies must of course, be formulated by, and the source of responsibility vested in, the head of the concern.

If the business is small and the venture into the foreign fields is experimental, it is of course foolish to create a separate export organization. The most that is necessary in such case is to employ an export manager and his clerical assistants. But when the organization for the conduct of the foreign sales of a large concern is extensive, it is always wise to vest the export activities in a separate department or organization. The advantages overbalance any saving of overhead expenses.

### **Specialized Effort**

It is a dictum of modern science that specialized effort is a necessary element in every development of a higher order. Credit matters, shipments, collections, advertising, and even production itself, in some cases, are matters so radically different in foreign trade that, other things being equal, these differences alone justify a separate organization and management to handle it properly.



The active head of the entire organization should never delegate his responsibility for foreign work entirely to the head of the export department. If he does this the export department becomes practically a distinct organization. As a rule, separate export organizations are created, not because they will be productive of greater efficiency, but rather for financial reasons, especially when several independent concerns co-operate for a joint exploitation of foreign fields. In such cases this kind of organization has a distinct advantage.

### **Formulation of General Policies**

The management of every undertaking should have its general policies reduced to writing and made known to the employees; this is particularly advisable in foreign trade, because of its greater complexity.

It should also be made clear to the salesmen and other representatives of the concern that it is the fundamental policy of the house to give the customers what they want and not what the representative thinks they should have. This naturally tends to cure overzealousness on the part of the selling force.

### **Handling Salesmen**

The main trouble with sales organizations is usually the breaking down of the sales force. The salesman may secure a better position elsewhere, he may go into business for himself, or he may become ill. It more frequently happens, however, that he fails to make good and as a result becomes discouraged and abandons his position. There is one way and only one to guard against the disease of discouragement, and that way is to keep up to a certain standard of efficiency in all things, business and personal.

According to some writers, sales efficiency is the resultant of the salesman's appearance, knowledge of the goods he sells,

fluency of language, knowledge of human nature, general information, jovial disposition, physical strength and endurance, adaptation, ingenuity, etc. The sum of these qualities makes success.

It would seem, however, that something else should be added which is equal to all these elements put together, and this is the state of mind of the salesman—the disposition to push on and on and on until he conquers and wins permanent success. Morale is as necessary to the salesman as to the soldier.

A man is a very small man if he is mainly physical. The greatest part of his manhood is his mental make-up, his temperament, his psychological status. It is far more sensitive and far more easily put out of gear than his physical make-up. We are all creatures of our temperaments and many a good salesman has been demoralized by a poor sales manager. Discipline is necessary in every organization, but a wise manager knows how to distinguish between a commercial and a military system of discipline. He will refrain himself, and will prohibit his subordinates from employing any bullying or driving tactics which can only result in degrading the employee and making him disgusted with the management.

### **The Manager's Duty—Inspiration**

Except in a business employing a low grade of men, arrogance on the part of the management has never been found to be a commercial asset. That manager is the best who can win his subordinates' personal confidence and who can inspire them to greater exertions by such means as are known to all leaders of men. It is because an important part of a manager's duties is to inspire the men under him that it is a bad policy to put a man in the position of control who is not especially qualified for his work both by nature and training. Yet this procedure is frequently adopted by the heads of

large undertakings, and the policy almost always means failure.

In foreign work, where it is necessary for the salesman to be far from home and friends, in a strange land, among strange people, this factor of executive inspiration is of great psychological significance. Needless to say, the manager and his field workers should not only be personally acquainted but should be on the closest terms of intimacy compatible with discipline and managerial dignity.

### **Liberal and Fair Treatment**

Salesmanship in far-off foreign countries is often a very trying task but, as more and more foreign territories become developed, the reward of successful work is correspondingly larger, both for the salesman and for the house. It pays the manager to be liberal and even generous with his representatives abroad. As a matter of fact, generosity toward the salesman has been usually found to be the best possible investment in view of the fact that selling is the vital work indispensable to the life of every enterprise.

Generosity is not merely a matter of money, but of relationship and methods of handling. The management may perhaps encourage the employees to spy upon each other regarding their demeanor or their attitude toward the concern. This is a very poor policy. It creates an atmosphere of suspicion, destroys the esprit de corps, and makes the employee who discovers the espionage disgusted with everybody, to the impairment of his future efficiency and usefulness.

### **Keeping in Touch**

Every foreign trade manager should have some system which will keep him in close touch with his salesmen abroad, not alone receiving reports from the latter, but from time to

time sending them a word of cheer and encouragement. It never pays to spare the stenographer at the expense of the salesman. Hence the stereotyped letter patterned to fit all men, and all occasions, should be sparingly used in correspondence with salesmen in foreign fields.

A manager who quarrels with salesmen in correspondence is not fit for any kind of executive position. He does not know the first principle of a manager's business, which is the management of men so as to secure from them the maximum of enthusiastic co-operation in the work at hand. This effect is never secured by petulant fault-finding or abusive correspondence.

## CHAPTER XXVII

### SELLING METHODS IN FOREIGN TRADE

#### **Adaptability of Selling Methods**

The people of every nation have their peculiarities and distinctive needs determined by the country's location, its natural resources, its environment, the character of its population, and many other fixed conditions. The methods of trade in each country are as different as the conditions which govern them. No general plan of sales campaign can be formulated which would be applicable to every country and every case.

The Germans were successful in foreign trade, because they recognized the principle of commercial adaptability, whereas some English and American exporters still hold to the idea that what is good in their own country should be good everywhere. This principle cannot be maintained against intelligent competition. The sooner our exporters recognize the law of commercial adaptation the better for them.

#### **Selling Methods Must Conform to Custom**

The people of the United States have been accustomed to do things in a hurry. They have learned to value speed and to count time as a monetary asset. They do not realize that speed frequently degenerates into haste and that head-long hurry sometimes means repentance at leisure.

For example, an American company heard that there was a great opportunity in its line in South America. Forthwith the manager of the company picked out his best salesman,

noted for quick work, and sent him down on the first steamer. The salesman had no experience in foreign trade. He looked at the map and decided upon the towns that were to supply his golden harvest, and upon the length of time that he would spend in each. He allowed two days to the smaller towns and a week to the larger ones. He arrived, hurried his sample trunks ashore at the first port, and spread out his wares at the best hotel. Next he called on the local dealers and invited them to look at his samples, announcing at the same time that his steamer was to leave in two days and that he had to go with it. To his great astonishment no one responded to his invitation. He waited another day but with no better results. He concluded that this time he had struck a dead town.

When he disembarked at his next landing he repeated the performance, but with the same results. Then he called again on the local merchants and urged them not to lose the great opportunity of inspecting his stock. But the merchants did not seem to appreciate their opportunity. Again they failed to appear, in spite of the fact that the salesman had pointed out to them the deficiencies in their stock. The entire trip of this energetic pioneer brought no appreciable results and the concern became convinced that the South Americans were uneducated in modern business ways, and impervious to knowledge.

It so happened that a few days later this American salesman was followed by a representative of a European house in the same line of trade. He came with letters of introduction, which he sent to the merchants soon after his arrival. Later he made personal calls on them, looked over their stores, and expressed his admiration for the way in which they were conducting their affairs. The merchants returned his call and the salesman established with all of them a basis of friendly intercourse. He continued his casual calls

until in a day or so they began to show curiosity as to the sort of merchandise he was handling. To this he replied that if they wished to see his stock he would be glad to exhibit it to them at their convenience, but at present he was not in a hurry to sell them anything. Such methods strongly appealed to their Latin temperament and before he left many of the merchants gave him large orders. He did the same thing in the other towns, staying in each from four to five days longer than did our American friend, but selling freely where the American sold not at all.

The American went into the strange land prepared to do a large amount of business in a hurry and rush out again, all with no method of procedure. The European knew the people, knew how to approach and how to win them, and above all he went there with a preconceived plan of action.

The coercive attitude toward a customer is seldom conducive to success anywhere, and it is fatal with a people of an emotional temperament.

### **Suiting Methods to Conditions**

The fundamental rule of trade in foreign lands is to study the people and their ways and adapt oneself to them. In China, for instance, all foreign business must be transacted through an intermediary. In Russia before the Great War, large sales could not have been made without establishing oneself socially.

In some countries the distribution in certain lines of merchandise is monopolized by small groups of houses. There are still countries where bargaining prevails and in such cases it is necessary to demand higher prices than those for which one is willing to sell. In each case a special method must be devised for securing the distribution and influencing sales.

Foreign houses generally give their salesmen a great deal of latitude and authority in dealing with a new customer.

They are authorized to accept credit in cases in which it seems to them advisable, to arrange the details of shipment and to offer such guarantees as may be required. As a general rule it is a good policy to empower salesmen to meet any emergencies, as overseas communications are expensive, slow, and unsatisfactory.

Often what is at home called "persistence" is construed abroad as importunity and instead of being fruitful of results it is likely to be feelingly resented. Of course this has no reference to the pressure which is exerted continuously but gently with a nice regard to the prospects feelings. Persistence is a valuable quality to possess and to exercise, but in selling wares abroad it has to be used sparingly, at longer intervals, and in ways requiring ingenuity and diplomacy rather than push.

### **The Leisurely Approach**

An obvious difference between the American and European selling methods is that the European places greater reliance on friendship and sociability than does the American. The European will not generally do business with the man he has not met, at least in a semisocial way.

The quality which renders the American salesman invincible at home is his self-hypnotism which makes him a glowing enthusiast. Enthusiasm being contagious he spreads it wherever he goes and in time it captures his prospect. The Europeans are for the most part little subject to autosuggestion in trade matters. They are neither hypnotizers nor can they easily be hypnotized. They regard trade as a necessary evil which supplies them with life's comforts, not as a thing of any interest in itself. Their enthusiasm runs rather in the direction of getting the most enjoyment out of life than in buying and selling goods.

Generally speaking, business people in foreign countries



take life easily, and although money has a charm for them, it is not desired at the sacrifice of ease or of pride. He who wishes to succeed with them must choose to succeed leisurely and to conform otherwise to their ways. If the foreigner's nature or custom is to be slow, it is his privilege, and there is no profit in quarreling with his ways. He may be altogether wrong in taking life so easily, but what a waste of time it is to try to reform him. Absurd as it seems, a great many American business men, not content to complain of the ways of the foreigner, try to force him to adopt the American business ways and methods. It is certainly a vain effort at reform and it is one which a practical man should disdain.

It is well to bear in mind this difference between foreign and American methods and to remember that the foreigner will not trade in haste, and generally cannot be convinced at the first interview. Foreign orders come in large quantities, and a customer once secured is oftentimes a customer for life. It pays to be contented to wait until he is ready to do business.

### **Methods for Promoting Foreign Trade**

The methods for promoting foreign trade are national, co-operative, general, or special. When a country devises means of assisting its people in their commerce abroad through diplomacy or other means, it should have a method or policy to that end. When two or more concerns join to do business in a foreign country they must have a method which is essentially co-operative. Every concern entering a given foreign field usually has a general preconceived way or method of reaching the market and of securing and keeping customers. Special methods of sale or for overcoming competition are invented to suit the exigencies of the special occasion, and it is best to leave them out of the general plan of sale and trust

to the ingenuity and resourcefulness of the salesman for their application.

A special method hastily devised to conquer an unforeseen obstacle may be illustrated by the experience of a salesman who went to Russia for the purpose of securing a large contract for a special kind of electrical bulb. On arriving at his destination he found that a British firm was ahead of him, and although the contract had not yet been closed, he could not secure a hearing from the officials who had the matter in charge. He then conceived the idea of showing them his goods in an unusual way. Through some friends he invited the officials of the concern to an elaborate dinner. At a given signal the lights of the dining-room were put out and another set of lights, equipped with his own bulbs, were turned on displaying a startling difference and accentuating the superiority of the bulbs he had for sale over those of his competitor. The salesman then explained to the surprised officials that he did not wish to leave their town without acquainting them with the excellence of the goods he carried. Since his proposition was meritorious on the face of it, his unusual method of displaying his wares brought him complete success and his trip resulted in a large order.

### **Competitors' Methods**

Before deciding upon a method of sale a good rule to follow is to study not only the people with whom one is to trade, but also the methods employed by successful competitors. No matter what method is chosen it should have due regard to the important elements which enter into every selling campaign and which together constitute and contain the principles of foreign trade. These elements are as follows: adaptation, reciprocity, veracity, diplomacy, and tact.

The commercial aspects of adaptation and of reciprocity in the world's trade have already been considered. Veracity

is not used here in the sense of merely being truthful and never misrepresenting things. It means much more than that; it is the maintenance of the integrity of the trading concern at all costs and at all times and places and to all people equally.

Trade diplomacy is practiced in the Anglo-Saxon world chiefly in large transactions in which principals trade in person. With salesmen it is not even of secondary consideration. But tact is of the greatest importance in foreign trade, whether the deal is between the principals or between their representatives. In America push and persistence, even when bordering on impertinence, find many an admirer who will give an order to the fellow that tries the hardest. Abroad, trading people stand more on their dignity and may resent even a hearty handshake. Diplomacy with these imperturbable foreigners means courtesy, tact, extreme consideration of the feelings of others, and above all things sympathy and respect for his susceptibilities. He who understands the value of tact and diplomacy is bound to succeed, no matter what he sells nor where he sells it.

## CHAPTER XXVIII

### SUGGESTIONS FOR INTERNATIONAL SALESMEN

#### **The International Salesman**

The international salesman should be more mature in years and sounder in judgment than the prevailing domestic type. He should have a more extensive general knowledge of the world. His manners should be cultivated and be adapted to the particular type of customer in hand.

His poise should be good. There should be no vehemence in his manner of approaching his customers but on the contrary, the most studied formality, especially in the closing of the sale. He should have a social temperament and enjoy the entertaining of his prospective customers, without letting it be too apparent that he does it for business reasons. He should be in appearance all that his talk and his actions convey that he is.

#### **Aggressive Salesmanship**

Some people think that aggressive salesmanship means an arrogant, boorish, dictatorial attitude toward the customer with an occasional display of bulldozing tactics. This is never at any time advisable even in domestic salesmanship, and certainly not in the foreign field. There are instances when a man will buy because he is driven to it, but they are rare and it is wiser for a salesman never to try to scare a prospective customer into giving an order. Those who act on the principle that more flies are caught with honey than with vinegar will invariably do the better. The truly aggressive

salesman hustles for business from eight to ten hours a day. He will even teach himself to smile at rudeness, and he will never let anything so small as a refusal deter him from trying again. But he must try in the right way.

A salesman who after an unsuccessful call on a number of dealers goes to his hotel and prepares to leave for his next stopping place before having thoroughly canvassed the local situation is not an aggressive salesman, and lacks the essential quality of persistency.

But even persistence has its limits. One must never annoy a customer; a little patient waiting and a friendly attitude will yield far better results. It is certainly not business aggressiveness to become angry or to enter into a controversy with the customer. Such conduct is unpardonable, and especially so from the foreigner's point of view.

One must be a philosopher to get along in this world. Successful men are usually kind, good-natured, even-tempered, and tolerant of the faults in others. He who wishes to be a prince among men should know by heart the qualities of human kindness.

The quality called aggressiveness in a commercial sense has its varied applications. Sometimes it is physical persistence, sometimes it is concentration, and sometimes it is practical ingenuity. The writer has known very successful salesmen in the domestic field who rarely called on a customer in large cities without first getting in touch with him on the telephone. On arriving in town he would call up a number of prospects, a short talk determining which ones he should see first. Later, he would call up those he had not yet seen and announce that he was likely to leave town and that he hoped to call as he had something extraordinary to offer. Then again he would decide on whom he should call until ultimately he would see all of them and generally leave town loaded with orders.

**Overcoming Customers' Excuses**

One of the greatest difficulties the salesman has to overcome is the customers' excuses. He becomes tired of hearing such expressions from the dealers as the foreign equivalents of "nothing doing," "loaded to the brim," "have plenty of that in stock," "have just replenished my stock," and similar expressions ad infinitum. It is not altogether the salesman's duty to overcome these excuses, for a wise sales manager should provide a means of unloading the dealer's shelves as well as for filling them. The salesman should, however, be able to explain these means by convincing him that the salesman is just as interested in seeing the goods quickly pass over his dealer's counter as he is in landing them on his shelves.

No first class salesman depends on the house to furnish him with all the means of overcoming the buyer's excuses. He has his own resources. He remembers that reciprocity is the first principle of commercial life. If you do something for a man, he is more likely to do something for you. When the customer says he is "loaded to the brim," he may or may not be telling the truth. The salesman should then ask him as a favor to inspect the line of samples carried or some selected portion of them, telling him something of interest in regard to them—something new.

While displaying the samples it can readily be seen by the interest the customer takes whether he was truthful or not in his statement. At the same time the real state of affairs should be ascertained and if possible an offer to help him may diplomatically be made. It may be that he does not display his merchandise properly, or his sales force or sales methods are wrong, or perhaps he does not buy as he should. Perhaps he fails to turn stocks often enough or his lines and brands are not of standard value and are not properly mixed. A suggestion from the salesman may in any such case be of material value to the prospective customer.

### Offering Suggestions

To be able to offer suggestions successfully the salesman should learn something of general merchandising; but—most important of all—he should make every effort to show a real interest in his customer's success. Thus the principle of reciprocity will begin to operate and the customer will begin to feel a desire to do something in turn for the salesman when he sees that the latter is really interested in doing something for him besides merely selling him goods.

The right kind of a salesman will secure the loyalty of his customer by himself being loyal and showing a willingness to be of real service. As a rule, any man is willing to be shown how he can make more money, but this must be done tactfully and in the kindest possible way. The customer's welfare means the salesman's welfare. As the one succeeds so will the other succeed.

Often it may be best to offer assistance, or give advice before displaying samples or endeavoring to approach the subject of sales. This is especially true when the buyer appears to be unapproachable. Tact is never wasted when dealing with the foreign buyer. It is one of the most valuable assets which the salesman can possess. A compliment on the customer's goods, his manner of displaying them, or his taste in selection, at the same time offering some little hint or suggestion—and his interest, friendship, and patronage are won.

### Keeping a Customer

Sometimes it is easier to get a customer than to keep him, but it is just as important to keep the old customers as to get new ones. There are many ways of losing them. Misrepresentation is the most common way. The salesman in his anxiety to sell oftentimes quite unconsciously makes statements which cannot be sustained and which his employer

would never authorize. When the customer finds out that he was practically cheated he tells others and both the salesman and his house suffer.

Customers are lost by taking it for granted that once a customer is always a customer and by failing to give a man as much attention on a later occasion as when he made his first purchase. An old customer is entitled to even better treatment than the new one. It may be human to become indifferent to what one possesses, but it is poor business.

A successful salesman should be able to know the mind of his customer. The golden rule is a good business rule. If the salesman will think what he would do were he in his customer's place he will know when to act and what to do.

Like honesty, courtesy always pays. If an old customer is treated as an old friend he will always remain a customer (unless there is something radically wrong with the goods) and even become an advertiser. Those who hold their old customers are most likely to win.

People are like the lower animals—they run after those who feed them. Most people are hungry for human sympathy and much can be accomplished with a cheerful smile. Some people have built their fortunes on a hearty hand-shake backed by a smile. Think of these things when meeting an old customer and the chances of winning will be vastly increased.

### **Approaching a Prospect**

The start and the finish are the two most difficult stages. At these times one must be an adept to be perfectly at ease. Many salesmen are not. Men are invariably averse to strangers and it is exceptional for a stranger to be able to walk into an office and attempt to sell his proposition to another stranger without creating at first the unfavorable impression which frequently is the lasting impression.

The problem then first of all is how to create a favorable



impression on approaching a prospective buyer. This is a particularly important problem for an international salesman. Of course a neat appearance helps a good deal but it is not everything. More important is what the salesman says, how he says it, how he acts—in other words, how he breaks in upon the stranger.

As a rule it is well to put in as much time as possible in getting on a friendly basis before attempting to talk business. Generally very few men become rude when they know “what it is all about.” And if the salesman succeeds in establishing a friendly basis, it is then a simple matter to make a sale.

To jump upon the stranger, like a hurricane, and to attempt to make a sale without any preliminaries is fatal in foreign trade.

A successful international salesman told the writer that when calling on a customer he first asks him about business in general, making his prospect feel that he is the first one on whom he has called, and that his call is the chief reason why he came to the town. When the salesman and the customer have established a cordial basis, what the French call *rapprochement*, the business talk and the exhibition of samples follow naturally.

Not infrequently a salesman gets impatient with the customer and gives him up on the theory that “there are others,” when there is still hope of making a sale. This is a poor policy and against the principles of efficiency and business sense. The time has already been invested which, with little more effort, might be made to pay returns. It is profitable to remain with the customer so long as he is willing to listen. When he begins to argue, success is in sight. Even if after spending some time on him he bids the salesman “good-bye,” with the positive indication that he won’t buy, it still may be well for the latter to invent an occasion to see him again before leaving the town.

**Closing a Sale**

Closing a sale is the most difficult part of a salesman's task. Many men are good talkers and can interest a customer, but comparatively few are good closers.

If the customer knows just what he wants, when he wants it, and how much he needs, there should be no difficulty in closing a sale. Usually, however, the buyer is not sure on one or more of these points. Here the salesman should help him. Every buyer has that human element in him called "hesitation." It is the salesman's duty to turn hesitation into decision.

The salesman should be liked by the customer and should make every effort to that end so that the customer may be placed in a receptive state of mind. When that has been accomplished the next step is to impress the customer with the goods one has to sell. It then is largely a question of the foreign salesman's discretion and tact to know just when and how to close the sale. This should be done before the prospective purchaser begins to cool off, but at the same time he must not be unduly hurried.

When a customer starts to explain his position with a view to postponing his decision, the salesman should know that the cooling off process has set in and instead of attempting to close a sale, he should again explain his proposition and show the merits of his article.

There are two preliminary requisites before the customer is completely prepared for the closing. One is to have him fully interested in the proposition, and the other, to determine just how much can be sold him. Those who sell goods in small lots find their greatest difficulty, not in making a sale, but in selling a satisfactory quantity.

The closing argument should contain some entirely new point which has not been previously mentioned and which should be urged with extreme earnestness and force.

One must know how to use this vantage point properly. Here, as in oratory, the contrast is the most effective. To that end the salesman must at first use an ordinary conversational tone and genial manner while showing the article or explaining the proposition. When he sees that the buyer is ready for the final attack, after he has gauged the latter's state of mind and already has his answer, the salesman should become intensely serious and urge the "vantage point" earnestly but in as few words as possible; then, if his work has been well done, he should get his order. This is the usual procedure employed by good closers and proves very successful.

### **What Is Meant by Salesmanship as an Art**

Primarily salesmanship is the man. But it is not the man as a mere animal, not even the man as a thinker; it is the man in all his regalia as a human being with all that is best in him. That is, it is the man as father, friend, lover, patron, humanitarian, bread-winner, and citizen. He must bring all the emotions which represent these designations into play. That is his art to visualize these emotions in the buyer. The extent to which he can reproduce them within himself and make the other party feel them, is the measure of his success.

Some men have no strong emotions, no sentiments—they represent nothing but greed for money. Such men—supposing that they are to succeed at all—must be good actors. They must convey the impression by their acting that they have all the best human attributes, such as sympathy for their fellow men, kindness, honor, and friendship, or they will fail to sell.

This ability to display emotions through words and actions and to convey them through the invisible power of suggestion is the highest art of salesmanship. It establishes at once a

cordial, friendly relationship between the buyer and the seller and begets the willingness of the former to do anything for the latter that is not directly injurious to his own welfare.

## CHAPTER XXIX

### FOREIGN TRADE BY MAIL ORDER

#### Status of Foreign Mail Order Trade

Foreign trade conducted by mail is nothing new. The mails have always been used with greater or less success in soliciting orders, and since the almost universal adoption of the parcel post they have provided the cheapest, quickest, and safest method of transportation for small packages. When it is considered that the commission houses use the mails whenever it is possible, it is clear that the aggregate of foreign business conducted entirely by mail is enormous.

On the other hand, the methods of the great American mail order houses are not applicable to foreign trade. These institutions are practically great department stores which sell exclusively by mail everything that can be purchased in the largest stores of our great cities. There is nothing to correspond to them abroad and despite their great success in the domestic field their foreign business has, in comparison with the volume of their trade at home, always been insignificant.

The differences of language, customs, laws, tariff regulations, and business methods have all presented almost insuperable obstacles to their success abroad. But perhaps the most serious handicap to the mail order houses in attempting to do business with foreign countries is the distance. It is exceedingly difficult to build up that strong bond of confidence and intimacy between the house and its customers—the chief asset of these companies—with a foreign people speaking a different language, and with no particular predilection for American fashions or American merchandise.

### **The Ordinary Type of Mail Order House**

Most manufacturers, unless restricted by their contracts, follow the elastic policy of taking orders from whatever source they come, whether it be the wholesale dealer, the retailer, or the ultimate consumer. Every house that will fill direct the retail order received by mail is in a sense a mail order house. However, unlike the great mail order houses discussed above, the manufacturer tries to avoid competition with the dealers who handle his goods. He sells goods of his own manufacture only, and, while he sells directly to the customer, he charges the regular retail market price for the product and usually adds a charge for postage.

The manufacturer may well ask himself why he should not conduct his foreign business along similar lines, selling to both dealers and consumers and soliciting orders exclusively by mail with no other expense than that of correspondence and advertising.

Such a plan involves most patient and persistent work and a most careful consideration of the manufacturer's relations with the local dealer.

### **The Dealer and the Mail Order House**

The mail order house is the natural competitor of the dealer. The dealer cannot be expected to show enthusiasm for a method that threatens to dispense with his services as a part of the machinery of distribution. At the same time it is perfectly possible, by allowing him a percentage on sales in his territory however such sales are effected, to place him on the basis of an agent, and to make him an important factor in educating the public in the use of the product and in stimulating business all along the line. But he must be brought to share the manufacturer's point of view and to know the goods and how to handle them. He must feel that in serving

his principal he is also serving his own interests. The attractive discounts and commissions and the assurances of increased future business here play their part.

It is even possible that the wholesale dealer abroad might consent to act as a branch house, which would go far towards overcoming the natural difficulties arising from the distance and the diversity of laws, customs, and language. At the same time he might act as a depository for an adequate stock of the product and as a center from which advertising material would be distributed and to which letters of inquiry might be sent.

But the manufacturer cannot eat his cake and have it too. If he depends on the dealer to act as his intermediary he may still conduct his business entirely by mail, but he must give up his idea of selling any great amount directly to the ultimate consumer. It is unreasonable to expect that the dealer, be he wholesaler or retailer, will be a satisfactory agent in the task of encouraging his customers to deal directly with the producer. Whatever he may be paid for his services he prefers to see his customers buying the product over his own counters.

Perhaps after all, and certainly at the outset, the greatest profit is to be found in dealing directly with the ultimate consumer. It is perfectly possible, provided the manufacturer sets about it in the right way.

If the plan of building business by mail is adopted there are certain fundamental requirements that demand careful thought and preparation.

### **Mail Order Advertising**

The foreign public are more interested readers of circular letters and of general advertising material than are the American public. They have more leisure and they take more time in making up their minds. While this characteristic works

both ways, it is a distinct advantage to the advertising man who is eager to make the most of his opportunities.

Correspondence is the most vital factor in all mail order business. In the foreign field the letters may be longer and must be more ceremonious and personal in tone and appeal than their American prototypes—whether they are of the general promotive type or are individual, dealing with a specific subject. The initial letter should come from the home office in America, should be carefully written in the language of the country to which it is sent, and if possible should be signed by the head of the firm. Follow-up letters should come from the local office to which inquiries and replies should be directed.

Every letter should show a human interest in the welfare of the buyer. Not until he feels the writer has a personal interest in him will a certain type of foreign customer interest himself in a proposition to which he is introduced by letter.

Follow-up systems must be carefully planned with a view to the national susceptibilities and customs of each country. The number of such letters that can profitably be sent depends largely upon the habits and temperament of the people. As a rule it is not safe to allow a local agent to draft follow-up letters. They should be sent him from the home office after teaching him when and how to send them out. Letters of inquiry must necessarily be left to him to answer.

The advertising campaign must be planned scientifically and timed to coincide with the seasonal demand. The exporter who endeavors to avoid the preliminary personal survey of the field must call into council an advertising expert who is fully qualified to advise him on matters of procedure in his selected market. He himself cannot hope to pass intelligently on the value of mailing lists or the methods and manner of appeal or on the terms of sale. All things con-



sidered, suggestions already made about the preliminary procedure in the chapters on trade strategy in direct selling applies with equal force to foreign trade conducted by mail order methods. The man who elects to economize in matters of preliminary preparation multiplies his risks and complicates his problems.

### **Good Service**

The American mail order houses owe much of their success to the promptness and accuracy with which they fill orders and to their readiness to correct mistakes and to avoid dissatisfaction. All efforts in this direction will be multiplied for the dealer in the foreign field. The delay in filling orders suggests the desirability of a local depository and office just as soon as the volume of the business justifies it. Even then the company cannot be too careful in the construction of its office system, and it must be ready to permit the return, without question or expense, of articles which the purchaser finds to be unsatisfactory.

### **Credits**

The manufacturer must be particularly careful in the matter of credits. A mail order business usually implies cash in advance. In some foreign markets such terms will be a handicap; almost everywhere they are impractical. The customer may well hesitate to send money to a foreign concern of which he knows nothing with the certainty of having to wait months for his purchases and with little or no recourse if they never arrive.

A "cash on delivery" plan well worked out may succeed if it is accompanied by a schedule of discounts, and in many cases no other method will be safe. If credit is to be granted at all it will necessitate having a credit man on the ground. In selling on credit the claim should be evidenced by bills of

exchange or promissory notes. There should of course be no distinctions between customers in the same country in the matter of prices. One discount system for all is the wisest rule in the long run.

### **The Local Representative**

The local representative would appear to be essential to any great success by mail order methods in the foreign field. His chief function is to serve as a link between the consumer and producer. He has charge of the local center of distribution from which he fills orders and sends out advertising matter. To him letters of inquiry are sent. He may be the source of credit information or even pass on matters of granting credit.

One of the most important duties of such a representative is to supply his principal with information bearing on the demands of the local market and the activities of his competitors. Without this close personal touch on the situation the manufacturer is at a disadvantage over his competitors who follow the usual methods of distribution.

## CHAPTER XXX

### ADVERTISING IN FOREIGN TRADE

#### **Purpose of Advertising**

The ultimate purpose of all commercial advertising is to promote the sale of goods. It is merchandising by means of publicity.

Not all advertising is conducted, however, with a view to the immediate sale of goods. A considerable portion of the money spent on advertising is invested to create a favorable introduction, to cause the buyer to notice and to understand the character and quality of the advertised article. Simultaneously he is being educated in the merit and value of the article so that eventually he may acquire confidence in the responsibility of the producer and the unvarying quality of the product. By such means a thorough understanding between the buyer and the seller is eventually reached and the buyer becomes a permanent customer.

Another purpose of advertising is to impress the name or trade-mark of the article advertised upon the mind of the consumer, so that even though he has no immediate need for it, he may be prompted to make inquiries which may be followed by a trial order. This process in course of time results in a well-defined demand for the article represented by the trade-mark.

To achieve the final purpose of advertising—the promotion of the largest number of sales of the articles advertised—requires the closest attention to the principles which govern the scientific merchandising of salable commodities both at home and abroad.

### **Adapting the Advertisement to Conditions**

Every advertisement should be planned with a view to the article to be sold, the market in which it is sold, and the method of merchandising employed in its distribution. The actual merchandising begins with the determination of the quality and cost of the article. Once these have been settled upon to the satisfaction of the seller he is face to face with the market, which he must study and learn thoroughly. He must know the avenues of distribution and the machinery through which it is conducted, before he is ready to consider the nature of his advertising campaign.

While the fundamental principles of purchase and sale in foreign trade are identical with those in domestic trade, the systems of distribution and marketing abroad are radically different from those prevailing in the United States. For instance, in many foreign countries wholesale merchants or jobbers do not exist and the goods are mostly distributed through importers, commission houses, and local agents. Although a commission house oftentimes buys goods on its own account it will not stock them, so that whether it buys on its own account or for another, it buys only what it has already sold.

### **Channels for Foreign Trade Advertising**

After the prospective advertiser becomes thoroughly familiarized with the machinery of trade in a given country, he is ready to study the channels available for his advertising—the structure and requirements of the market, the visible demand for the article in question, and also the means of its distribution.

Naturally, if a man decides to provide his own channels of distribution his plan of advertising will be different from that of the exporter who aims to reach the consumer through the local importer.

The methods of advertising available to an American trader in foreign markets are as follows:

1. Home export-trade papers
2. House organs: export and import
3. Export editions of home publications
4. Foreign directories and year-books
5. Local magazines and papers abroad
6. Foreign export papers
7. Catalogues and circular letters
8. Exhibits
9. Posters

### Value of Advertising Mediums

Export-trade papers published in the United States are of some little value as direct advertising mediums both for producing inquiries as to the goods advertised and of securing trial orders. They also serve as a constant reminder to the trade that the concern is in the field and is looking for orders. They may keep the name and the trade-mark of the advertising concern in the buyer's mind so that when he places orders he will necessarily consider the particular product advertised in connection with other products known to him. The advertiser may also choose this way for discovering whether or not there is a demand for his product in the markets in which the paper circulates.

Unquestionably such publications are valuable in placing one's proposition before the professional traders in foreign markets, but as channels for reaching either the consumer or the retailer in foreign countries their usefulness has not been so fully demonstrated. A careful trial in any particular case would be a legitimate expenditure.

House organs are issued by some large importing and exporting houses principally for the purpose of maintaining and extending their prestige and clientele. Their value as

advertising mediums depends on the sort of entrance the advertiser is desirous of making into foreign markets. If, as in the case of export-trade papers, his desire is to secure trial orders or test the avidity of any market, or to establish his trade-mark more firmly—then he should consider fully the possibilities of each one of these house organs.

The same can be said concerning the advisability of advertising in export editions of local magazines and similar publications of foreign countries and in the various trade directories circulated abroad.

A list of all the available mediums for export advertising can be secured from the United States Department of Commerce. With this list at hand the prospective advertiser can secure from those publications which seem most suitable, a statement as to what they can do to promote abroad the interests of his product.

### **Advertising Specialists**

While the selection of advertising mediums is a task for the expert, unfortunately there are few advertising agencies in this country that specialize in foreign business. No such agency, unless equipped with a staff of specialists which has studied intensively the conditions in the various fields, is in a position to offer services of the character it supplies in the domestic markets.

Every advertising agent, manager, or expert specializing in foreign publicity should, of course, have a list of advertising mediums in the territory he covers. He should know their circulation, their rates, the class of readers each reaches, and the other facts necessary for gauging the utility of the publication to the purpose in hand. This statistical knowledge is easily obtainable and is, of course, kept on file for reference in the interests of their clients by the few agencies that do specialize in the foreign field.

The advertising expert, in the true sense of the word, whether he confines his efforts to this country or deals abroad, must know at least as much of general conditions as the sales manager. He must know each market, its structure, and its requirements; he must know the people and the business conditions which obtain among them. He must know whom to reach and how to establish a community of interest in those whom he solicits as his buyers. Such knowledge must be correlated with the knowledge of the product he is to advertise, and both must become a part of his mental horizon.

The advertising man's job is no school boy's task, but a serious, concentrated effort based upon solid information and constructive, practical knowledge of men and things. The task of selecting the channels for advertising abroad usually falls upon the exporter and his staff.

### Circularizing

Next to the local press, the quickest and best way of getting in touch with the prospective buyers is by means of circular letters.

In America advertising or selling by means of circular letters is rather a costly undertaking and is not always satisfactory. It is quite different abroad where merchants are particularly attentive to letters, especially those coming from a foreign country. If it is the commission man, the jobber, or the retail merchant whom the seller desires to reach, this form of advertising commends itself strongly on account of its numerous advantages.

Successful circularizing is no bar to any other method or methods of selling or of advertising. To be most effective, however, the seller should always be in a position to supply, on short notice, catalogues and prices of the articles announced in the circular letters. This can be accomplished by having

a branch office, or at least an agency in the principal city of the country to which the letters are being sent. Such an agency should be adequately supplied not only with all the literature on the subject but also with a full line of samples. It should furthermore be in the position to handle orders, give the necessary credits, and attend to everything that the seller himself would attend to if he were on the ground in person. Unless such an arrangement is made beforehand, circular letters can be of service only as a preliminary means toward becoming acquainted with foreign buyers before a representative is sent to call on them, or before a local branch or an agency is established.

### **Local Advertising Agencies**

The subject of foreign advertising will remain complicated and difficult until a class of competent foreign advertising experts shall have been developed. While inadequate facilities for handling such matters continue in our country it may be found advisable to have the foreign advertising plans carefully considered by a responsible advertising agency in the country where a selling campaign is contemplated.

The advertising agency affords the producer expert service of his own peculiar kind. It is nearly always advisable to secure an analysis of the selling proposition from someone outside of the organization who can bring to its selling problems a disinterested mind, free from fixed opinions and bias. The employment of a competent advertising agency in the foreign field, where such a one is available, not only saves expense but enhances profits by increasing the efficiency of the effort.

### **Exhibits**

One feature of advertising abroad which has received too little attention from American manufacturers is the exhibi-



tion of the product itself. Perhaps it is because hitherto there has been very little co-operation between the American manufacturers in foreign trade that this excellent method of introducing goods into foreign markets has been woefully neglected. Those who have made a success in foreign fields consider circular letters, distribution of catalogues, and exhibition of products the best possible preliminary means of introducing a product into a new market. But, as in the case of circulars, local advertising by means of exhibits requires at least a temporary local representation.

### **Posters**

Many large American concerns which advertise on a national scale owe a considerable part of their success to the powerful appeal of the poster. A household product may as a rule be successfully advertised in foreign countries if it is suited to local needs and does not run counter to national custom and habit. It should be noted, however, that in many European countries outdoor advertising is heavily taxed and the facilities for such publicity compare unfavorably with those in the United States. Before the war outdoor publicity on an extensive scale was practically prohibited by the confinement of all posters to a limited number of "poster pillars" owned by the municipality.

### **Information as an Advertising Basis**

The most important rule of all to follow is that advertising cannot be planned scientifically and results cannot be anticipated with certainty unless correct information upon all the phases of the market is obtained in the first place.

The advertiser must learn the methods of buying in any given market before he can successfully apply selling methods. Unless he is familiar with the existing processes of buying he cannot adjust himself to what to him is an unknown

quantity. The foreign merchant's habits of buying must be studied for every commodity which it is proposed to advertise.

Foreign advertising in the last analysis is the application of specialized knowledge of local merchandising to the thing in hand.

### **Preparation for Foreign Advertising**

Before embarking on an advertising campaign the sales manager must give his attention to the following essential matters:

1. He must master the machinery of distribution in the new field and know the market, thoroughly understanding its structure and psychology.
2. He should then decide on the extent of his interest in that market, determine the amount of money to be spent, and be sure that the full amount is available before going further.
3. Next he should select a competent advertising manager who should be told the plans without reservation and be placed in close touch with the sales manager.
4. Finally comes the selection of the advertising mediums, the determination of methods, and the strong, aggressive, continuous prosecution of the campaign.

With increasing opportunities for the American exporter this is the propitious time for the manufacturer not only to widen his sales activities, but to intensify his efforts in the territory where he is already selling his goods.

It will, of course, be recognized that the benefit from advertising or any other effort that increases the sale of goods is twofold: (1) a profit in the goods at their production cost before advertising begins; (2) a further profit on the decreased cost which follows as a consequence of increased production and sales—due to advertising.

As to the general value of advertising, if an article sells well without advertising it is a good article to advertise for it will then sell better. The manufacturer, therefore, who has heretofore managed to sell his product abroad without any publicity effort is perhaps the man to whom advertising would yield the largest returns.



**PART IV**  
**THE TECHNIQUE OF FOREIGN TRADE**



## CHAPTER XXXI

### THE TECHNICALITIES OF IMPORTING

#### **Interrelation of Foreign Trade Machinery**

The machinery of exporting runs into the machinery of importing to such an extent that the two subjects may be considered—as in fact they are—the opposite ends of the same operation.

The manufacturers who are engaged in exporting on a large scale frequently import raw material for use in making their finished product. If they maintain branches or selling organizations in a foreign country, they are both importers and exporters abroad as well as at home.

If there happens to be a manufacturer who is an exporter exclusively, the subject of importing should nevertheless concern him, because he cannot have a complete understanding of the machinery and requirements of exporting unless he also knows the principles of importing.

It should never be forgotten that an export implies an import—that whenever goods are shipped into a foreign country there is always someone to receive them, and that someone is usually the buyer. If the seller does not know the buyer's problems, if he does not understand the situation and appreciate the buyer's difficulties, he may make more difficult both his own sales and deliveries and those of his customers.

For the better understanding of the details connected with importing and exporting each subject should be treated separately but never one without due consideration also of the other.

### **Classes of Importers**

There are, as was noted in Chapter XIII, many classes of importers. In the United States, perhaps on account of high tariff imposts, while the importations are comparatively small and the machinery is relatively simple, the procedure is more or less elaborate.

Our large wholesale houses, department stores, and import merchants each have their foreign buyers who go abroad periodically to replenish their stocks. Some large foreign houses maintain branches or agencies in the United States, which in turn employ selling staffs and compete actively with domestic concerns. These two classes represent the most important importing organizations.

### **Custom House Procedure**

The most difficult feature to understand and the most important legal part of the importing business in the United States is the custom house procedure. The tariff laws and different schedules for each class of goods are perplexing, and the legal questions which may arise are very intricate and somewhat difficult to master. Added to this there are complicated processes and countless rules. For these reasons the importers themselves rarely attend to the formalities of entry at the custom house. This is usually attended to by the brokers and lawyers who specialize in such matters. Another reason for employing an expert is that the procedure is constantly changing to accord with the ever-changing regulations which govern foreign consignments.

For the benefit of those who should know something of these custom house formalities, however, a brief outline will indicate how difficult it is to get goods into the United States from abroad. But first it is important to consider the formalities necessary at the other end—the formalities to be observed in the country of export.



**Foreign Preliminaries**

Most American importers transact business with foreign manufacturers and producers direct instead of through commission houses or jobbers as is usual with exporters.

Before the goods are shipped to America from any foreign country the shipper is obliged to procure a certificate from the American consul in charge of the district from which the goods are shipped. This certificate verifies the correctness of the declaration required by law and must accompany all invoices of merchandise which are imported into the United States.

The United States law requires that no imported goods exceeding in value \$100 shall be admitted into the United States without the production of a duly certified invoice containing a description of the merchandise and a statement of its actual value in the country where such merchandise was produced or from which it is exported. Such invoices must be signed by the purchaser, owner, or manufacturer who must indorse thereon a declaration as to the truth of his statements.

American consuls abroad are supposed to have a knowledge of the actual value of the goods shipped, and it is their duty to see that the goods are not undervalued by the shipper who is sending them into the United States.

When merchandise is exported from the United States into a foreign country and is returned without having advanced in its value, it is allowed free entrance to the United States, provided it is accompanied by a declaration made before an American consul stating the facts in each case.

Each vessel clearing for the United States from a foreign port at which an American consul is stationed is required, under a penalty, to obtain a bill of health from the consul or officer after the consul has satisfied himself as to its sanitary condition. Every master of an American vessel is required

on arrival at a foreign port to deposit with the American consul or officers at the port of arrival, ship's papers, that is, the register, crew list, and shipping articles. Consular fees are regulated by the tariffs prescribed by order of the President of the United States.

### **Domestic Procedure**

The usual procedure on the arrival of imported goods in the United States is as follows: On receipt of the shipper's bill of lading, the shipper's invoice, and the invoice signed by an American consul, the importer makes a declaration on oath. The declaration is a very important part of the procedure as the statements made thereon may involve severe penalties if they are false. The oath is of two kinds—one which is used when the goods have been bought by the importer himself, and the other in case they are merely consigned to him. In either case he must fill out an entry blank.

### **Forms of Entry Blanks**

There are seven kinds of entry blanks, viz., entries for:

1. Consumption or use in this country
2. Warehouse
3. Warehouse and transportation
4. Warehouse and exportation
5. Immediate transportation without appraisement
6. Transportation and exportation
7. Re-warehouse

Each kind of entry has a separate form which the holder of a properly indorsed bill of lading is entitled to fill in and present with his bill of lading and invoice duly certified before the collector of customs.

1. Entry for consumption must be made when the importer wishes to pay the duty, if there is any duty to be paid, and to secure the release of his consignment from government cus-

today. The entry must be sworn to before the collector, his deputy, or notary public. The appraisement is made according to the market value of goods, on the day of shipment, in the markets of the country from whence it is imported.

2. Entry for warehouse is very much the same as the entry for consumption and is made in the usual duplicate form. The importer may designate upon the entry the bonded warehouse in which he desires his merchandise to be deposited and from which it may be withdrawn for consumption within three years from the date of importation on payment of duties and charges.

3. Entry for warehouse and transportation is made in triplicate and is similar to the entry for consumption.

4. Entry for warehouse and exportation is made when goods are ultimately destined for a foreign country without passing through any part of the United States.

5. Entry for immediate transportation without appraisement is made when the merchandise is consigned to a duly designated port of delivery other than the port of entry.

6. Entry for transportation and exportation is made when the goods merely pass through the United States into another country.

7. Entry for re-warehousing must correspond with the original warehousing and withdrawals and must be in triplicate.

The entry blanks go to the appraiser who, when appraisement is necessary, makes an appraisal of the goods according to law.

### **Storing and Bonding**

If a warehouse entry has been properly made the goods are then stored and bonded and may remain under bond and payment of duties be deferred for three years. But if some of the goods imported are desired for immediate use the importer

must pay the duty on that part of the shipment which is not placed in the warehouse or, later, is taken out.

The imported articles may be released to the importer in the United States upon presentation by him to the entry clerk or deputy collector at the port of entry, of his bill of lading, invoice, declaration of the entry, with his certified check or money order for the amount of duty estimated by him; and if the clerk or the deputy collector does not consider the estimated duty too low he will give permission for the release of the goods. At least 10 per cent of each consignment to an importer must be sent to the appraiser's stores for examination and valuation before it can be delivered to the importer or his agents, or be sent to a warehouse subject to his order.

After having paid the duty on the value of the goods as previously entered in his invoice the importer executes a bond for a sum twice the value of the goods received, and after undergoing other smaller formalities, he may receive a permit for delivery of all cases of goods consigned to him which have not been sent to the appraiser's stores or office. By presenting this receipt at the steamer's pier, the consignee or his truckmen may obtain the goods.

The possession of the goods delivered at the appraiser's stores is given to the importer if the officials find that the value and the rate of duty at which the importer entered his invoice are correct. The possession is accomplished by means of a delivery permit issued by the custom house.

### Undervaluation

In case the examiners should decide that the goods in question have been undervalued by the importer, a note of the difference is made to that effect on the invoice, which must be countersigned by the appraiser and his assistant. It is then sent to the liquidating division of the custom house where the amount of additional duty is determined and assessed, and

also the penalty provided by law for a mistake in an importer's entry which is 1 per cent additional duty for each 1 per cent increase in valuation over the invoice value.

In cases where the advance in value made by the appraiser exceeds 75 per cent of the invoice price, the law presumes attempted fraud and the goods are subject to confiscation, while the importer may be prosecuted criminally for his false statements made under oath.

There is a right of appeal from the appraiser's decision in regard to the appraised value of the merchandise. Such appeal must be made within ten days to the collector of the port who presents it to the board of appraisers, one of whom hears the case. After his decision either party—that is, either the government or the importer—has a right to appeal to the full board. Three appraisers are assigned this time by the board, to hear the case. The decision of these three men as to the value of the merchandise is final. If the rate of duty is disputed, the case may be taken before the United States Court of Customs Appeals in Washington; the decision of that court is final.

When settlement of any disputes between the importer and the government are finally made the importer, should the amount of duty he has paid be found excessive, receives the difference between the duty which he has paid and the amount which has been determined.

There are innumerable blank forms, one for each species of goods, to be filled out according to the nature of the merchandise. The designs of some of these forms are a hundred years old. They are sold at stationery stores, or may be obtained free at the custom house.

Mistaken prices involve trouble and with it penalties for the importer. He should exercise the greatest care in making his entry of invoice prices, as upon him rests the responsibility of correcting any error which the exporter may have made in

declaring the value of the shipment. The customs house allows on an entry invoice only a certain percentage of variation from market prices, so that it may be necessary for the importer, in order to meet the customs house requirements and avoid prosecution, to increase the valuation which the exporter has made.

In most of the countries of the world, the value used as a basis for calculating rates of duty is the value of the goods at the port of exportation. The methods for determining such values vary greatly.

On the whole it is advisable, if the imports are made in any considerable quantity, to retain a custom house broker to attend to the procedure at the custom house on the arrival of goods. Nevertheless the importer and the exporter should both be familiar with the essentials of the procedure stated above.

## CHAPTER XXXII

### MANUFACTURING FOR EXPORT

#### **Meeting the Customer's Demands**

At the outset it may be set down as a fundamental principle for the manufacturer who is seeking the surest methods of success in the foreign field that he must enter his market with the goods the people want and not with the goods they do not want but that he thinks they ought to buy. This principle applies to the manufacture of goods for export just as much as to their sale.

British and American manufacturers have always been criticized both at home and abroad for their shortsightedness in failing to meet the demands of their foreign markets for goods of a particular style, quality, and price. Their "take it or leave it policy" has cost some of them large fortunes and resulted in their failure to educate the market to the merits of an article it did not want, while the more adaptable manufacturers of other nations have profited by their experience and ultimately reaped the golden harvest. Much of this criticism has been justified, but most of it, as far as the American manufacturer is concerned, has failed to take into account American manufacturing conditions.

#### **The American Manufacturing System**

Much American manufacturing has aimed at the production of very large quantities of standardized materials. Ford cars are cheap because of the large daily output and because Mr. Ford has constantly refused to make variations in his standards to suit the tastes of individuals or even of particular

markets. The changes in machinery and manufacturing processes necessary to adapt an article to the needs or wishes of a foreign market necessitate a change in the price. In view of the usual uncertainty of the extent of the demand in the foreign market, the manufacturer may wisely conclude that he prefers to take his chances with the style that has been successful at home. The foreign competitor, on the other hand, with low labor cost and more variable standards is usually in a better position to cater to his market.

The American manufacturer too is disinclined to camouflage a cheap article as a more expensive one. Complaints are made of the rough and imperfect finish of our low-priced articles. We are told that low-priced American castings, to note a single example, proclaim their cheapness in their rough and generally crude appearance. The American's answer is to point to the low price. An expensive American casting will compare favorably in every way with its foreign competitor. The rougher finish may enable the manufacturer to sell the article for a trifle less money, but it is poor business, especially in view of the fact that the Germans have been most proficient in putting a high-grade finish on a cheap article and selling it at a price between the American prices for similar articles of the cheaper and more expensive grades.

### **Manufacturing Details**

If the demand is sufficient it is usually advisable for the manufacturer to adapt his product to the demand of the market. For instance, a thread on a certain kind of tubing may be required by certain foreign markets to be of particular dimensions. If the manufacturer in America does not comply with the specifications of the foreign customer, the whole consignment may prove useless to him. The same may be said of shipping machinery abroad when no provision has been made that in case parts of it break they can readily be replaced or others



substituted. For the most part, this non-compliance with the ordinary common-sense requirements of a foreign order is sheer negligence. It should be borne in mind that in a country thousands of miles away from the place of manufacture it is a difficult matter to replace parts of machinery. If the customer neglects to order duplicate parts, the manufacturer should not fail to bring the matter to his attention.

It is exceedingly expensive to attempt to educate the market to absorb products irrespective of prevailing conditions, a proceeding of which the American manufacturer has, on many occasions, been guilty. The rational mode of procedure is to study the requirements of a given market and if possible standardize the product to suit these requirements.

Find out just what the consumer wants, learn how near the product comes to it, and decide whether in view of the extent of the demand it is practicable to meet that want.

### **Latent Demand**

There is no difference in the principle of adjusting the product to the foreign market and to the domestic market, except that the distributor plays a very much more important part as a selling factor abroad than he does in the United States. It is from him that the manufacturer can best ascertain the potentialities of the latent demand. Established demand and active demand he should be able to observe himself, tabulating his observations so as to standardize his product accordingly. Mere surface indications should never be accepted as a final test.

Latent demand is a dangerous factor to deal with in foreign trade because of the distance of the market from the factory. New conditions may arise which cannot be met satisfactorily. The manufacturer for export will do better to deal only with established and active demand instead of experimenting to determine latent demand.

However, the latent demand in connection with the established demand must not be lost sight of, for such latent demand may represent the real need of the people and the desire for improvement in the article which has an established market. It is here that the manufacturer reaps the greatest reward if he can anticipate what his competitors fail to see.

A certain manufacturer of shoes discovered that a large number of laborers and farmers were wearing light, semi-dress shoes instead of the ordinary work shoes with which the market was abundantly supplied. His study and investigation revealed that the work shoes were very heavy and exceedingly uncomfortable, designed for durability and for nothing else. A great many people who should have worn them were willing to sacrifice economy for comfort and bought less suitable footwear. The manufacturer in question changed his product by putting more style and comfort into the work shoe until it had not only the strength to stand heavy and rough use, but good appearance and comfort as well. When he placed this improved shoe on the market he was swamped with orders. His ingenuity brought him a fortune in a short time and changed the standards of manufacture of that particular shoe all over the world. This is an illustration of a latent demand which was readily made active.

### **Production and Local Methods**

Another important principle for the export manufacturer to bear in mind is that production should be studied in connection with the methods and machinery of distribution which prevail in a particular market.

If the machinery of the market consists largely of retail dealers, the manufacturer who takes pains to teach the dealer how to stimulate the desire of the consumer or how to realize turnovers and who works with the dealer in close co-operation stands a better chance of selling his product than one whose

prices are lower but who is less progressive in his selling methods.

The usual mistake made by manufacturers interested in export is to neglect to take into consideration the mutability of local conditions. In domestic trade, a producer would not think of relaxing his vigilance in watching the activities of his competitors. In foreign markets where changes are more likely to occur, of which on account of the distance he may know nothing, he adopts a *laissez-faire* policy and lets things care for themselves. There, if anywhere, he should exercise the utmost vigilance by always having someone on the ground to watch the situation and to keep him fully informed. The local demand changes abroad as rapidly as it does at home. New fashions, new uses, new desires—all call for constant watchfulness and continual adaptation to meet the market's fancy and to keep abreast of competition.

### Price and Quality

Some manufacturers are too prone to assume, in cases where others can undersell them, that there is no market for their goods.

No complaint is heard more frequently among manufacturers than that it is difficult to meet foreign prices. "If I could only undersell these people, or even sell as cheaply, I would reap a harvest in no time," is the common complaint. The price of the product is of course an important element in its salability, but it is not everything. Quality also is of vast importance in foreign trade. The term "quality" is not meant to imply merely the intrinsic value of the article nor its appearance. The quality is also found in weight, in adaptability to transportation requirements, in size sometimes, and frequently in added improvements.

For example, an ordinary bottle may cost less than a non-refillable bottle, but the latter may drive the former from cer-

tain markets in spite of its price. And the same may be said of automobiles fitted up with self-starting devices or with non-skidding tires. Such examples can be multiplied ad infinitum. Sometimes a different color or shape, a more attractive label, a neater container, or a prettier band, lid, or fastener adds to an article's selling quality.

### Conclusion

In some cases it may be possible for the American manufacturer, by the use of the advertiser's art, to create a demand in foreign countries for the exact line of goods he is already manufacturing. He does this for the domestic market whenever he introduces a new line or a new commodity, and it is possible to do the same thing in foreign countries. It requires skill and ability to do work of this kind at home and requires greater skill and ability to work abroad where trade conditions are dissimilar.

But, generally speaking, it would appear to be more advisable to meet the demands of the foreign market. The manufacturer should, however, not attempt a radical departure from his standardized product involving changes in machinery and manufacturing methods with corresponding increases of price until he has some assurance that the proposed market can absorb his products in sufficient quantities to make the venture a profitable one.

## CHAPTER XXXIII

### FROM FACTORY TO SEAPORT

#### **The Technicalities of Exporting**

The knowledge pertaining to the shipment of goods into foreign markets should be highly specialized. It is of vast importance, both to the buyer and the seller, that no mistakes occur in the processes involved in delivering the merchandise from the factory to the warehouse of the importer or his place of business.

The processes which must be undertaken to effect the delivery of export shipments usually involve seven distinct operations which are as follows:

1. Packing
2. Marking
3. Railroad transportation to the port of export
4. Transfer at the port of shipment
5. Shipping arrangements at the port
6. Insurance
7. Bank arrangements

These different steps are taken up in order in this and the following chapters.

#### **Packing**

This subject has been always at the front whenever American exports are discussed, presumably on the ground that our manufacturers are negligent in observing the requirements of proper methods in packing goods for export trade. Writers and lecturers, and even government officials, constantly accuse our novices in foreign trade of not having learned even the

most elementary lessons of properly preparing merchandise for foreign shipments.

Packing for export is as much a technical matter as manufacturing. The knowledge required is not only highly technical, but it must be practical as well. In other words, one cannot learn everything about packing by reading books on the subject nor by studying different requirements for different countries. Such knowledge is useful and necessary, but finished competency comes only through observation and practical experience.

The fundamental principle is simple. Goods should be packed with a view to both the general and special conditions of ocean transportation, as described below.

#### **General Conditions to be Considered in Packing**

General conditions of transportation to foreign countries are those which are common to all shipments by water, that is, rough handling, climatic conditions during the voyage, and the exposure of packages to rain and storms. To appreciate some of these conditions of ocean transportation one should go to the dock and see how the freight is handled when it is loaded and unloaded, observing the process not only in the case of one vessel but a dozen different vessels. It does little good to describe the rough handling the goods undergo, the piling of packages one upon the other, as these conditions require personal observation to be thoroughly realized. To meet them packing must be far more careful and cases and boxes must be stouter and better fastened than in the ordinary domestic shipment.

#### **Special Conditions to be Considered in Packing**

Special conditions incident to ocean transportation include those which arise at the place of delivery of goods. In many foreign ports the freight is unloaded from the steamers onto

the lighters, which in turn unload at the wharf, at times under difficult conditions. Some of these wharves or docks are unprotected by roof or covering of any kind and on these the goods are exposed to all sorts of weather. Again, each country has its own regulations as to packing and marking the packages which, if not complied with by the shipper, will cause trouble and annoyance to the consignee.

It must not be forgotten that the goods frequently have to be shipped into the interior of the country. The conditions of such transportation should be studied, for merchandise must be packed to suit these conditions. For instance, in some countries the freight to the interior is transported on the backs of mules which method naturally limits the size of the packages. Instructions as how to pack a certain class of goods for a particular destination should invariably be obtained at the consulate of the country to which the shipment is to be made or from the Department of Commerce.

Instructions from the buyer as to the manner of packing a particular shipment should also be sought and minutely followed. In fact, the proper packing of goods is a matter of such vast importance that no opportunity should be neglected to examine all available sources of information on the subject. For instance, every shipper should know that the goods he is sending to South America are usually unloaded from the steamer into a lighter and thence to the dock or pier, so that they are handled a number of times and under the most varying conditions before they reach the custom house.

### **General Instructions for Packing**

Ocean carriers usually charge according to space so the goods should be packed also with a view to the space they are to occupy. The safest rule to follow is to pack in the strongest boxes possible, designed to occupy the smallest possible space.

Cases should preferably not exceed 250 lbs. in weight.

They should not be too large and they should be packed full. Empty space is not only extravagance but it makes for weakness and is a constant cause of damage from breakage. Waterproof protection should be used to avoid the damage which is inevitable to goods left exposed to the rain and sun on the unroofed wharves of South America. Hermetically sealed, metal-lined cases are being used increasingly, but the English still cling to the good old custom of using cloth and tarpaulin.

Cases should be fastened with iron straps not only to increase strength but to afford additional protection against theft.

Each kind of goods should be packed by itself in order to avoid complications in the matter of import duties.

### **Marking**

The manner of marking the packages is also of great importance, because different foreign countries have different requirements as to marking. Some countries require that marks shall be made in stencil instead of with a brush; other countries require the marks to be placed on two or more adjacent sides of the packages; still other countries have the provision that net and gross weights in kilograms be noted on each package. Delays, fines, and annoyances of all kinds follow if the regulations are not complied with.

It is customary to mark the packages for export with letters and numbers instead of with the name of the consignee. This is done because it requires less work to enter the letters on the bill of lading and various other documents and books and also to prevent competitors from knowing to whom the goods are sent.

This practice is a great aid in hastening the loading and unloading of vessels. If the exporter uses second-hand cases he should carefully obliterate all the previous marks. Such phrases as "Glass," "Fragile," etc., are as confusing as they are useless. Some countries require that each package of a



shipment should receive a serial number. This number together with the consignee's symbol, the gross and net weight, and the port marks are usually all that are essential. The port mark indicates the ultimate destination of the package—the terminus of the voyage, but not necessarily the address of the consignee.

The letters used should be from 2 to 3 inches in height. Extreme care should be taken with each detail. Weights and measurements should in every case be scrupulously exact. Foreign trade is too expensively obtained and subject to too great a competition to permit it to be jeopardized in its final stage by careless marking. Infallable accuracy is the supreme qualification of the shipping clerk.

The use of the stencil is usually to be preferred to any other method. Tags and cards are out of the question. Indelible ink applied with a brush is the only way to prevent obliteration by rain, sea-water, and abrasion.

The manufacturer doing a fair export business should endeavor to engage a clerk who is thoroughly familiar with export shipping, which means familiarity with packing, marking the packages, routing the freight, and other formalities incidental to export trade. The manufacturer, especially when he makes only occasional foreign shipments, should not only procure the marking regulations of different countries with which he is dealing and the instructions from the United States Department of Commerce, but he should also visit the plants which do exporting and observe there the methods pursued to comply with the conditions of ocean traffic.

### **Railroad Transportation of Exports**

The average American manufacturer needs no instructions on the subject of railroad transportation. A number of up-to-date companies have traffic men who are familiar also with ocean traffic and the methods of handling freight for export.

The local transportation company also may be in a position to give advice on all points pertaining to foreign shipments to the manufacturer shipping freight to consignees abroad.

There are railroads which issue through bills of lading to certain points abroad, and if the manufacturer happens to be on such a road and is shipping to the destination covered by the railroad, he may merely deliver his goods at the depot. But such cases are rare. The manufacturer may do well to communicate with a reliable export freight forwarder at the port through which he will route his foreign shipment. Such concerns may have charge of other freight in the vicinity and by combining the shipments they are frequently able to quote cheaper rates than if the consignments were made in individual lots.

The ordinary "domestic billing" is not suitable for export shipping. Those railroads which issue through bills of lading do so only for the ports on the Pacific Ocean and only at the points where they have commercial agents.

Steamship companies covering the routes to South America do not permit railroads to issue through bills of lading. These are obtainable only when the goods are on board the ship.

### **Transfer at the Port of Shipment**

A large number of our export shipments are made through the port of New York and there the transportation of freight from the railroad pier to the wharf offers a great many problems. A glance at the map of New York City will at once reveal some of these problems. The city has a great length and the distance from the freight depot of the railroad to the nearest steamer is usually several miles. In such cases one frequently has to pay for cartage alone more than it costs to send the freight to its destination by steamer.

It is not unusual to pay for ferriage as well as for truck-

age. Many steamships lines leave from the New Jersey coast, and if the goods are consigned by railroad to New York the ferry is the only method of getting them to Hoboken and other Jersey ports.

Of course, in many cases where free lighterage privileges exist, as when the consignments are made in car-load lots, the shipper need not bother himself on their arrival in New York in so far as cartage is concerned. In other cases, the only advice which can be given on the subject is to study carefully the map of New York City and to take into consideration the relative locations of the steamship companies and railroad freight depots when deciding upon lines and routes for shipment.

## CHAPTER XXXIV

### SHIPPING ARRANGEMENTS AT THE PORT

#### **What the Shipping Arrangements Include**

After the shipper has completed his transportation arrangements on land he is confronted with making the shipping arrangements at the port. The steps that must yet be accomplished before his goods are under way may be classified under three heads:

1. Arrangements with steamship company
2. Consular formalities
3. Custom house procedure

#### **Choosing the Steamship Company**

About two-thirds of the total exports of the country pass through the port of New York. While a large part of our trade with Mexico and Canada is carried by rail, wherever possible the great bulk of our exports will always follow the cheaper ocean traffic routes.

The shipper should always consult his customer as to the particular route by which he desires to have the consignment sent, and if a preference is expressed should comply with the customer's wishes in the matter. If the latter has no preference the route may be chosen which is the most convenient to the shipper and which offers him the best rates.

Among the most prominent ocean carriers before the Great War were: the North German Lloyd, Hamburg-American, Holland-America, Cunard, and the companies which composed the International Mercantile Marine, viz.: the White Star, Leyland, Red Star, Atlantic Transport, and American lines.

The United Fruit Company is probably the largest American company engaged in sea traffic, but it confines its activities to coastwise transportation between the seaports on the Atlantic coast from New England to Central America.

### Rates

It is understood, when a steamship company makes a quotation on freight "per ton weight or measurement, ship's option" that charges will be made on a weight basis if the weight of the shipment carries a heavier shipping charge than would the cubic measurement, or on a basis of measurement should the cubic measurement freight rate exceed the weight charge.

Nearly all the foreign steamship lines quote freight rates on the basis of 2,240 lbs., or 40 cu. ft. measurement to the ton, and some domestic companies estimate a ton at 2,000 lbs. When charging so much per 100 lbs., or so much per cubic foot, however, it is immaterial whether they consider the ton as 2,240 or 2,000 lbs.

Ocean freight rates are continually fluctuating and it is not unusual for a steamship company to change from the weight basis to the measurement basis and vice versa.

Freight rates are usually prepaid. It is well for the foreign trader to make his customer understand that freight charges if prepaid will appear on the exporter's invoices and drafts. Our foreign competitors in some cases deduct freight charges and consequently some foreign customers expect similar liberality from us. The minimum of the bill of lading is usually about \$5, this representing the normal freight charge for from 1 to 2 tons occupying from 40 to 80 cubic feet. Minimum bills of lading can be avoided through a combination of small shipments, which can be arranged through those freight forwarders who specialize in shipping small export orders.

Transportation by water is normally cheaper than by land.

In the one case it is necessary to consider only the depreciation of the vessel, while in the other the depreciation and upkeep must include not only the carrier but the road on which it is carried. The law of supply and demand in its effect upon prices, however, operates in ocean transportation as in any other department of business. Both the amount of tonnage available and the supply of commodities to be shipped are subject to wide variations with a corresponding effect on rates. In normal times the former element fluctuates but slightly, but at the present moment it is as changeable a factor as the supply of goods. Competition among the transportation companies and the question of return cargo also normally have an important bearing on the matter of ocean rates.

### **Regulations Pertaining to the Handling of Freight**

Most companies require that freight room be engaged in advance on large shipments. Some permit shipments consigned to order, other companies require the name of the consignee on all bills of lading and also that it be marked on packages. Some companies attend to the clearance of shipments, but most of them require a shipper's manifest with the bill of lading.

Some carry hazardous cargo by special agreement, but most companies do not handle such shipments at all. Most companies require that valuables be shipped in sealed cases.

The steamship company usually prescribes how the freight is to be packed, whether it is to be prepaid or not, and whether or not it can be consigned to order. Of course these regulations are made so as to conform to the law and customs requirements of each country as much as for the convenience and welfare of the company.

Manifestly the regulations made by the steamship company are as important to know and to comply with as those prescribed by the different consulates.

Certain obvious disadvantages exist in connection with those countries which do not permit shipments "to order," or "in care of," because oftentimes credit arrangements largely depend upon the feasibility of the goods being consigned "to order" or "in care of."

In studying the problems of exports one is naturally anxious to know the rates charged on shipments, how these charges are made, how and when the shipments are to be paid for, whether they are to be paid by the consignee or by the consignor, what cargo is accepted and what is not, how the shipments should be arranged, and so on.

Obviously such information is not of a stationary character. The only safe rule to follow in each case is to secure all the available data from steamship companies and the consulate of the country with which the trade is carried on or contemplated.

Notwithstanding this, oftentimes it becomes necessary for the exporter or the prospective exporter to know at once the consular and shipping requirements in one or more countries. Such information can be secured from the different year-books and export encyclopedias.

A summary of some of the more important of these regulations is given in Chapter XLIII, so that those interested may at a glance learn some of the principal formalities which must be observed before goods can be shipped into a given country.

### **Shipping Permit**

Some companies require a shipping permit before goods will be received at their dock. This document notifies the receiving clerk at the dock to accept certain quantities of freight on a certain date. Deliveries must be made in accordance with the permit.

When the goods are delivered a receipt is issued by the

receiving clerk at the dock, the dock receipt being ultimately exchanged for a bill of lading at the steamship agent's office.

### **The Bill of Lading—Export Invoice**

The bill of lading may be defined as the written evidence for the conveyance and delivery of merchandise sent by sea to certain destinations. It is both a receipt of goods and a contract to deliver the same as freight. It is executed by the captain or the owners of the vessel by which the goods are shipped. Each steamship company has its own peculiar forms of bills of lading.

The export invoice is a written statement reciting the particulars as to the nature, quantity, quality, weight, price, and description of the merchandise consigned to some person at a distance. It is no evidence of sale, being only an account of goods sent by merchants to their customers or correspondents at home or abroad, indicating the exact nature and value of the things shipped.

### **Consular Requirements**

Nearly every country of the world has some consular requirements which must be complied with before the merchandise is finally dispatched to it. Most countries require that all foreign merchandise entering their ports shall be certified to by their respective consuls stationed at the port from which the goods are shipped. The certification is made upon the invoices, which must be in a prescribed form. Blank forms are to be had at the respective consulates.

The consuls have rules regulating the number of copies of the invoices to be prepared, the language in which they must be made, when presented, etc. Many countries require that certificates of origin be annexed to these consular invoices and that the bills of lading be certified to by the consul.

There are other formalities and regulations which in every



case should be carried out minutely, otherwise an infinite amount of trouble may result and the shipper as well as the consignee will be the sufferer in the end. In each case of consular service a small fee is exacted.

Non-dumping certificates are also required by certain British colonies. The non-dumping certificates enable the importing country to guard against the dumping of foreign goods into their markets at prices which are lower than the cost of production. They are required chiefly by Canada, Australia, New Zealand, and South Africa.

In addition to the above there are consular regulations regarding the packing and the marking of packages and cases. In every instance an export declaration is required. Some countries prohibit importation of certain articles; others make stringent regulations regarding certain particular classes of merchandise.

The same regulations apply to animal products oftentimes and to inspection certificates. It must be remembered that these regulations vary by the respective governments without notice.

When the exporter has decided to enter the markets of a certain country, or when deliberating upon the advisability of the entry, he should thoroughly inform himself at the consulate as to the rules and regulations governing incoming shipments. Neither should he fail to familiarize himself with the different forms of documents which he is to fill out and sign.

## CHAPTER XXXV

### CUSTOM HOUSE EXPORT PROCEDURE

#### **Shipper's Export Declaration Extract**

The custom house procedure for the exportation of goods to foreign countries is prescribed by the government in the regulations of the Treasury Department. This procedure is subject to change. At the present writing the rulings in force are those placed in effect on February 1, 1916.

Before goods can be received at the custom house it is necessary for the exporter to fill out a manifest known as the "Shipper's Export Declaration." This export declaration is a statement setting forth source and destination of the goods and containing a complete description of them, their quantity and their value at the time and place of shipment. This manifest must be sworn to by the exporter after which it is filed with the collector of customs at the port of departure. Eventually it will form a part of the material from which the government's export statistics are made up.

"When merchandise is shipped foreign, four copies of this form must be presented to the collector of customs for each consignment. The collector will retain the original and one copy and deliver the other two copies to the shipper. The shipper will present one copy to the steamship company and deliver the other copy with the goods to the inspector of customs on the dock, without which no goods will be received. The copy delivered to the steamship company must accompany the goods on their voyage and be delivered by the master to the American consular officer with the manifest at the point of discharge. The copy delivered to the inspector of customs

upon which he will make his notifications of short shipment, etc., must be delivered to the vessel to be attached to the manifest delivered to the collector upon clearance."

A condensed extract of the information contained in the "Shipper's Export Declaration" must also be prepared. This extract is merely a certificate showing that the shipper's declaration is on file at the custom house; it will be signed by the deputy collector of customs and addressed to the exporting vessel or carrier.

### **Shipping Through an Agent**

If as in the case of inland exporters, the shipping transactions are conducted through an agent, this agent must file with the collector a copy of his credentials signed by his principal. Sometimes it is only necessary that the principal confer such authority by placing an indorsement on the declaration itself.

The government considers all of the information contained in the declaration as strictly confidential. It is filed at the custom house and is never disclosed except on the written authority of the shipper.

### **Shipments from the Interior**

When the exporter who is not located at a seaport wishes to ship his goods to a foreign country or to colonies situated outside the borders of the United States, he prepares his declaration as though at the seaport and delivers it to the carrier. If his shipment is made on a through bill of lading, his declaration should be made out at the same time and accompany the shipping papers to the seaport. If the bill of lading is a local one, the papers may be mailed separately to his agent at the seaport, and the agent will see the goods through the custom house. The declaration, being more or less confidential, may if it is desirable be addressed directly to the collector of

customs. In such case the exporter should indorse and note on the declaration that it is sealed. The carrier can be given the sealed envelope to deliver but the extract must be sent unsealed.

### **Clearance**

When the goods arrive at the seaboard the carrier delivers the declaration and the extract to the collector at the custom house. He will retain the declaration, certify the extract, and return it to the shipper to deliver to the exporting vessel.

When the master of the vessel bound to a foreign country has received his certified extract, he notes on his ship's manifest the custom house number appearing on the extract. When each consignment has been thus noted he is ready to apply for the clearance of his vessel. This will sometimes be granted—even if the vessel's manifest is incomplete—on the execution of a bond to produce the complete manifest on the day following the vessel's departure, together with all the shippers' declarations that he has received, in proper form. Within fifteen days after the clearance of the vessel the remaining declarations must be filed. Should there be declarations still due for merchandise shipped, the master must present with the vessel's manifesto a pro forma declaration enumerating in detail all such shipments.

### **Drawback**

It is possible for the manufacturer whose exports are composed wholly or in part of imported materials on which a duty has already been paid, to effect a considerable saving by availing himself of the privilege of "drawback," by which he is granted 99 per cent of the duty thus paid when such materials are exported as a part of his product.

The object of the drawback law, which appears in Appendix A, is to enable our manufacturers to meet foreign com-

petition so far as the cost of materials is concerned. If their foreign trade were to be handicapped by a high tariff on imported raw materials, the tariff might be destructive rather than protective.

Of recent years the government has been refunding as drawback as much as \$5,000,000 a year. This money has been paid to the manufacturers of articles made of materials on which tariff was imposed when they were imported. Despite the fact that there are thousands of articles on which drawback may be legally obtained, comparatively little has been recovered. This is perhaps due to the red tape which encumbers the drawback machinery though in many cases it is due to ignorance of the possibilities.

To obtain the benefit of drawback a formal application must be made to the Treasury Department, which will conduct a special examination of the applicant's business. If the investigator approves the applicant's claims as to the proportion of the imported products he employs in the manufacture of a given quantity of his finished product, the Department grants the claim. Thereafter the manufacturer is required to keep detailed records of the imported materials he uses and must submit to their being verified by the government from time to time.

Contrary to a popular impression it is not necessary that the manufacturer himself should have imported the foreign products by virtue of which he claims drawback. Someone else may have paid the duty, but it is necessary that he himself should know the port of entry of the materials and just what duty was paid on them.

The complicated procedure of obtaining the drawback allowance has given rise to a new factor known as the drawback specialist or broker who will assume charge of all the details and act as a general intermediary between the government and the manufacturer.

**Shipping in Bond**

It is also possible to save on products for export subject to the United States internal revenue tax, if consumed in this country, by shipping such articles in bond. For instance, liquors, tobacco, and certain other commodities can be shipped to New York for export by bonded carriers without first affixing the revenue stamps. There they are placed on board the vessel in bond. When they reach their destination a certificate of their delivery abroad is filled out and returned to this country whereupon the bond is canceled.

This arrangement makes it possible to offer such goods to the foreign market at a far lower figure than prevails even in the domestic market and to realize an exceptional profit at the same time.

On shipments under any form of customs bond the shipper's export declaration is not required as the customs papers covering the shipment furnish all the necessary statistical data.

## CHAPTER XXXVI

### THE PRINCIPLES AND LAWS OF MARINE INSURANCE

#### **Marine Insurance**

A marine insurance policy is not only desirable but indispensable for all ocean shipments save where the consignee or buyer directs otherwise. Legal conditions in ocean shipping are radically different from those prevailing on land. A railroad company is liable to the owner for nearly every kind of damage that may befall the shipment while it is in the custody of the carrier. A steamship company is seldom liable for any claim for loss, so that about 95 per cent of the risk must be borne by the owner of the goods.

If a cargo is injured in loading or unloading the company may recognize a claim for damages, provided however, that the owner can show that his goods were properly packed, which is always a difficult matter. But if the ship is stranded or is damaged by storm, fire, or collision, or is lost at sea, the company is in no way liable to the shipper. If some goods on board are thrown overboard to save the rest, the company may levy "general average" against the cargo which is saved in favor of the owner of the damaged goods or merchandise which was sacrificed to effect the saving of the property of others. This principle has been in effect for thousands of years and is the earliest example of insurance of which there is any record.

The ship-owner is not charged with the same responsibility as in the case of carriers on land, for the reason that he undertakes extraordinary risks. By his assumption of such risks and

his continuance in a profession so hazardous to himself, he is held to confer a great benefit on the community which he serves. This custom of not charging the mariners with responsibility has been established from time immemorial, originating at a time when no one dreamed that vessels could be propelled by power generated within the vessel itself.

### **The Origin of Marine Insurance**

The origin of insurance laws and customs is lost in the obscurity of the past. Our insurance law in America is taken entirely from the British judicature.

The oldest insurance company in the world is Lloyds which was founded in the year 1770, but contrary to the common impression Lloyds does not take risks as does the ordinary insurance company. It acts simply as agent. Its headquarters are at the Royal Exchange in London where all the principal marine insurance brokers have their offices or desks. When risk is to be assumed a "slip" is passed around and a number of these brokers "take a line," that is, underwrite for a certain amount which rarely exceeds \$1,000. By this arrangement any loss which may occur is borne by a considerable number of underwriters and their proportionate risk is fairly small.

### **Fundamental Regulations**

The rates vary according to the cargo, destination, and character of the vessel. Usually all sorts of clauses are written into the policy, providing for all sorts of emergencies. An ordinary policy does not cover loss from pilferage, nor claims for damages on all classes of goods, so that many provisions must be added to make the policy really cover the risk.

The simplest form of policy covers damages in cases where the vessel is stranded, burned, or sunk in collision. It also includes damages for all general averages and salvage charges that may be assessed on the goods.



Insurance does not usually cover the goods for the full period of transit up to the time of delivery to the consignee, unless such arrangements are specifically made.

Ordinarily the policy covers only the risk from the time the goods are actually laden until they are discharged at the port of destination.

If goods delivered to the ship's pier are to remain on the dock for some length of time, it is always desirable to insure them against loss by fire or damage through exposure.

All goods are assumed to be shipped under deck unless otherwise stated when application for insurance is made. When goods are shipped on deck the insurer must be notified, as deck goods are insured free of claims arising from the exposure of goods to the elements.

### **The Agents**

Marine insurance is frequently effected and losses are adjusted through the agency of insurance brokers and other factors; therefore it becomes necessary to know the law governing the acts of these agents.

An insurance agent may be appointed by an instrument in writing or impliedly by the course of business and correspondence between himself and the principal.

In England a broker is held responsible by the underwriter for the payment of the shipper's premium, but the United States laws hold the shipper himself, and not the broker, responsible for such payment. By virtue of a special agreement, however, a broker in the United States may make himself the debtor of the underwriter or a creditor of the shipper; in other words, he becomes the responsible party only by special agreement.

The policy-broker usually keeps a running account with the assured by whom he is employed, charging premiums on his risks. This account is settled between the parties periodically.

Similar running accounts are kept by agents, factors, and correspondents of assured and underwriters, in so far as the business of insurance is transacted by the agents.

### **Important Features of Marine Insurance**

It is well to remember the following principles in connection with marine insurance:

1. The same person may be the agent of both the assured and underwriters.
2. Insurance on the property of a firm may be effected by either partner of the firm, but unless one member only is active in the direction of the enterprise, the prevailing rule is that one alone has no authority to insure for both.
3. A consignee acting merely as the factor of the consignor has no authority as such to effect insurance on the object consigned to him, which is in transit. But after the goods have come into the hands of the consignee, he may be bound to effect insurance by the custom in like cases, or by other circumstances which would make it advisable for a merchant of ordinary business intelligence and diligence to take such action.
4. A party in the possession of the property as an agent or trustee with general authority as to the management of it, is the party to effect insurance, if the circumstances are such that the principal or the party interested in the property has no opportunity to instruct him.
5. The delivery of the policy to a person at his request constitutes him an agent. This agency continues while the policy remains in his possession as agent and he is bound to attend to the matters relating to such policy. But if the undertaking is gratuitous such party is not liable as agent.
6. The revocation of the authority of the agent will not defeat any agreement he may have made for the insurance before such revocation.
7. Notice of loss communicated to the agent of the insur-

ance company is binding upon the company, even though not communicated to them by the agent.

8. It has been held that there are three instances in which the order to insure for a correspondent abroad must be obeyed. These are:

- (a) Where a merchant abroad has effects in the hands of his correspondent in the United States.
- (b) If the correspondent has effected insurance on previous occasions for his principal abroad.
- (c) If the merchant abroad sends bills of lading with an order to insure, the correspondent in the United States must obey or himself be liable.

9. If an agent neglects to insure goods when it becomes necessary to do so, he is personally liable to his principal in the capacity of an underwriter.

10. If the agent does not comply with the instructions of his principal, he is liable for damages.

11. A general mercantile agent, who in the course of his agency takes a policy for his principal and retains it in his possession, has a lien upon it for the general balance of his account, as an agent against his principal.

12. The agent forfeits his lien by parting with the policy.

It may also be noted that an agent abroad can insure goods exposed to extraordinary risks or when it is customary to insure them and thereby bind his principal.

In determining the liability of the principal or the agent, and also in the construction of the terms of a marine insurance policy, the existing custom and usage are the important factors.

### **Liability of Steamship Companies**

An act of Congress, of February 13, 1893, called the Harter Act, defines the liability of ocean carriers as follows:

“If the owner of any vessel transporting merchandise or

property to or from any port in the United States of America shall exercise the diligence to make the said vessel in all respects seaworthy and properly manned, equipped and supplied, neither the vessel, her owner or owners, agent or charterers, shall become or be held responsible for damages or loss resulting from faults or errors in navigation, or in the management of said vessel, nor shall the vessel, her owner or owners, charterers, agent or master be held liable for losses arising from damages of the sea or other navigable waters, acts of God or public enemies, or the inherent defect, quality or vice, of the thing carried, or from insufficiency of package, or seizure under legal process, or from loss resulting from any act or omission of the shipper or owner of the goods, his agent or representative, or from saving or attempting to save, life or property at sea, or from any deviation in rendering such service."

The law applies to coastwise shipping as well as to the shipping between domestic and foreign ports. The carrier is bound to supply a seaworthy boat and the officers and crew must be chosen with reasonable care. He is liable for all damages arising from negligence in loading, stowage, or proper decking of the cargo. The ship-owner is not held liable, however, for negligence of officers and crew in navigating the vessel.

### **Abandonment**

An abandonment is an act on the part of the assured by which he relinquishes and transfers to the underwriters his insurable interest or the proceeds thereof, or the claims arising therefrom, in so far as they are covered by the policy. It is requisite only in case of technical or constructive total loss. When there is nothing remaining which can be assigned or transferred, an abandonment is not necessary.

A constructive or technical total loss exists when a part or remnant of the object insured exists, or some claim accrues from it against third persons. When a damaged vessel has

been repaired and is bottomried for the expense of the repairs, the owner cannot recover without abandonment.

In the United States the ship and freight are treated as distinct interests in considering abandonment. According to American procedure if any part of the freight is earned before the event happens there exists the right to abandon freight. No special form of abandonment is necessary, and it need not be in writing to be binding, but the notice must be positive and absolute in its tenor.

### **Settlements of Averages**

Losses are general or particular—partial or total.

General average is based upon the sacrifices made, expenses incurred, or damage sustained for the common benefit. It presupposes only partial loss, the assessment for such loss being made on the owners of the surviving cargo. When a general average is fairly settled in a foreign port, and the assured is obliged to pay his proportion of it, he may recover the amount from the insurer, though the average may have been settled in a different manner than it would have been at the home port. (*Depau v. Ocean Ins. Co.*, 5 Cowen 63.)

A particular average, so called in distinction from a general average to which different parties contribute, is a loss borne wholly by the party upon whose property it takes place.

If goods are to be insured subject to particular average it must be so provided in the application for insurance.

Under the British law, loss is computed as “such proportion of the sum fixed by the policy as the difference between the gross sound and damaged values at the place of arrival bears to the gross sound value.”

### **Valued and Open Policies**

Insurance is a contract under which the underwriters are bound to pay only the losses actually sustained. In case of loss,

the purpose of marine insurance is to restore the assured as nearly as possible to the condition in which he was at the outset. The amount of insurable interest in goods is their market value at the time and place of the commencement of the risk. Should goods be insured for a certain amount in a foreign currency and later be lost at sea, the amount paid to the shipper by the insurance company would be determined by the rate of exchange at the time the goods were shipped, regardless of the rate of exchange prevailing at the time of their loss.

A valued policy is one in which the value of the goods insured is agreed upon between parties. This valuation is binding upon the parties if made without fraud or illegality and proof of value is not necessary in order to recover.

An open policy is one in which the goods insured are not estimated in the contract at any particular amount or rate. In such case the value is open to inquiry and proof and must be proved by the assured before he can recover his loss. In this type of policy the amount of insurable interest is the value of the goods in the market at the beginning of the risk and it continues the same while insurance is in force. A valuation at a certain rate per pound refers to the pound of the place where the policy is made.

Marine insurance is most complicated and involved. A full and complete treatment of the subject is obviously impossible in a general work on foreign trade. This chapter has treated but a few of its more salient features.

## **CHAPTER XXXVII**

### **FINANCING FOREIGN SHIPMENTS**

#### **Methods of Export Payment**

The methods of financing foreign trade are the same in principle as those used in domestic trade; all are reducible to:

1. Cash with order.
2. Bank credit.
3. Open accounts.
4. The use of negotiable paper, commonly termed "bills of exchange."

Much the greater part of the financing of foreign shipments is carried on by means of the fourth method which will be discussed in detail after brief consideration is given to the first three methods.

#### **Cash with Order**

From the collection department's point of view, cash with the order is the ideal procedure; from the point of view of the selling force it is an impossible method. No foreign dealer will willingly tie up his money in goods that will not reach him until three and perhaps six months after he has sent his order and which he may not be able to sell until another six months have elapsed. Moreover, the exporter may be just as unknown to the foreign buyer as the foreign buyer is to the exporter. If the reputation of both parties does not extend beyond their home towns and both have to rely upon agency reports, the demand for cash with order is likely to arouse distrust in the mind of the buyer in addition to resentment. Then any chance of doing business vanishes. The exporter

may as well eliminate this method from his plan of procedure and concern himself only with those methods of bank credits by means of which the purchaser while not paying actual cash, can both afford the exporter protection and enable him to receive his money promptly.

The demand for cash with the order may be justifiable when samples are requested for which a nominal payment is enforced to prevent abuse of the privilege, but in no other case.

### **Bank Credit**

A bank credit is simply a guarantee of payment by the bank. While there are innumerable variations in the forms of foreign credits in principle, they all amount to this. The customer (buyer or importer) goes to his banker and arranges for a payment or payments, not exceeding a certain sum, to be made by a bank in a foreign country to a designated person (the exporter) when the latter has produced documentary and any other requisite evidence that he has fulfilled certain conditions of sale. Whether or not the importer is able to arrange for such a credit depends, of course, wholly upon his business standing. If his credit is good, and the amount of his bank balance is normally sufficient to cover the amount of the credit asked for, his bank will be willing to extend the facility for a small commission, plus interest on the amount paid to the exporter until its repayment by the importer. If the latter's rating is poor or if the amount of the credit he asks for is disproportionate to his normal bank balance, his banker will probably require security of some kind or a cash payment. But even the last course is preferable to cash with the order, as the importer need not actually pay until the goods are shipped, and may arrange in the country of export for such inspection of the goods as he deems prudent and necessary before this payment is made.



It should be noted that when the foreign buyer arranges for a bank credit in this country he should request that the credit be "confirmed." This means that the bank which is to pay for the goods advises the exporter to whom payment is to be made that a credit has been opened in his favor. Banks do not as a rule notify the persons to whom they are authorized to extend credit of the fact unless it is stated that the credit is to be confirmed.

This method of payment, which is known as "cash against documents," is not very desirable from the customer's standpoint and he usually resents the request for a bank credit.

When, however, the customer's reputation is not good or when business conditions in the foreign country are so unsettled or panicky that ordinary prudence requires some guarantee of payment before the goods leave the exporter's hands, then the suggestion of a bank credit will usually be favorably considered by the customer and will protect the exporter in every way.

Bank credits cannot be generally demanded by any house ambitious to become a world trader or even to have a moderately extensive, direct foreign business. Success in the world's trade of the future will largely rest upon the extension of credit, and the American exporter, to be successful, must needs call upon his ingenuity and ways and means for such extension of credit to foreign buyers as will be just as satisfactory, if not more so, than the terms offered by his competitors in other countries.

### **Open Accounts**

The necessary delay and the added risk involved in open accounts makes this prevailing method of financing domestic trade almost as unpopular in foreign commerce as cash payments—excepting in rare instances. Such an instance might be that of two concerns with ample resources to draw upon

doing a mutual and regular amount of business between their two countries. In such a case remittances would be arranged for at regular intervals, the credit not to exceed a stipulated amount. The remittance might be in the form of a banker's draft, i.e., a check on a foreign bank, or it might be made by the ordinary commercial draft, i.e., bill of exchange.

Another method of operating such an account, termed "open credit," is when the export house gives its foreign customer a 6 months' credit, say for \$25,000, charging all orders received during the 6 months to this account, and adding to this charge a small commission of 3 or 5 per cent. The creditor usually charges the customer an additional 6 per cent on sums actually charged against his account and credits him with 6 per cent interest on his remittances. Owing to the frequent turning over of the account, these charges, together with the commission, may amount to a profit of from 6 to 10 per cent on the total credit during the year.

This method of open credit business, which dates from the earliest period of the actual exchange of commodities between foreign houses, has now been generally superseded by the use of the bill of exchange mentioned above.

### **Bills of Exchange**

The burden of financing "long distance" transactions may be, and with rare exceptions for reasons to be presently explained, usually is, placed upon the bank with foreign affiliations where, in consequence of such affiliations, the burden properly belongs. As previously stated, the exporter is naturally reluctant to tie up his capital in goods while they travel on a tramp steamer perhaps half-way around the world and payment for which may take several months to reach him, even assuming that the customer promptly remits on the arrival and inspection of the goods. The customer on his part is equally reluctant to pay for goods before they have left their country

of origin—goods which he may be unable to handle and turn into cash for several months to come. So a way out of the difficulty is found by recourse to the negotiable form of instrument called “bill of exchange.” When the credit of both parties to the transaction is well established this instrument from the exporter’s point of view is almost as satisfactory as cash itself; to the buyer it furnishes all the credit to which his rating entitles him.

### Negotiable Instruments

Some confusion may exist as to the precise distinction between the negotiable instruments known as banker’s draft, draft or bill of exchange, trade acceptance, bank acceptance, and promissory note.

A banker’s draft, as already noted, is practically the same thing as an ordinary check, in that it is an order for payment by one bank on another in favor of the person whose name is designated thereon.

A draft is an order from one person (the seller) requesting another (the buyer) to pay a certain sum of money either at sight or at a future date to a third party which is usually the bank designated thereon. This is the ordinary domestic draft with which all business men are familiar. When a draft is drawn on a person doing business in a foreign country it is known as a bill of exchange. When the person on whom the draft is drawn receives it and adds his signature thereto, he “accepts” liability for the sum designated thereon. The bill of exchange then becomes a negotiable “acceptance” and in its legal aspects is exactly the same kind of document as a domestic trade acceptance. Thus the only difference between the two (aside from a slight difference in wording to be discussed presently) is that a trade acceptance is a domestic medium of exchange negotiable in this country, whereas a bill of exchange is finally negotiable abroad.

When the payment of the bill is guaranteed by a bank, as is frequently done under the conditions to be presently explained, it becomes a bank acceptance. This form of bill, because of the security as to its payment, is negotiable in any of the money markets of the world and is worth the face value of the currency it designates, less the discount.

A promissory note is merely a promise by its makers to pay and, unless indorsed by others, offers only the security of the maker. A trade acceptance must be drawn by the seller on the purchaser for goods sold; a bill of exchange is usually drawn in the same way for value received, which value generally represents goods sold, the wording being immaterial. The goods are usually named in the bill. The usage in Great Britain, the pioneer in the use of bills of exchange, is to employ the last-named term, while in this country the term, trade acceptance, is now in general use.

### **Trade Acceptance**

It may here be noted that a trade acceptance is not a new business device, but only a new name for a particular kind of bill of exchange. Prior to the Civil War the domestic draft or bill of exchange was widely employed in closing ordinary merchandising transactions. These drafts were trade acceptances in the true sense of the term, but ordinarily were not so called; they were known as drafts or bills of exchange, domestic or foreign, and when accepted were called "acceptances" or "accepted bills."

Before the Civil War ordinary credit transactions necessarily involved longer terms than at present because of the lack of modern means of rapid communication. That war caused a great disturbance to the whole financial system of the country and introduced new fiscal, financial, banking, and credit situations. The new paper money—the greenback—which was issued at that time, fluctuated greatly in purchasing

power with the changing fortunes of the war and as this paper money was not only the measure and standard of value temporarily, but also the chief medium of exchange in everyday transactions, the check being comparatively undeveloped, the risk and uncertainty of long-time credits was considerable and losses were heavy. This situation led business men to offer large discounts to induce their customers to make prompt settlements in cash. As a result the open-book account with its accompaniments, the cash discount and single-name paper, came into wide use superseding in large measure the domestic bill of exchange. Furthermore, the national banking system created in 1863 made no provision for making or rediscounting acceptances, a great handicap which has now been removed by the rediscount and related privileges of the federal reserve system.

### **The Use of Trade Acceptances**

The advantage of the trade acceptance as created and used in domestic commerce is shown by the following example:

A firm in Boston buys from a firm in New York \$1,000 worth of goods. Simultaneously with the shipment the seller draws on the buyer a draft at 90 days from date or sight (according to the terms of sale) and mails it to the latter with the invoice and the bill of lading. The usual form of draft is used with this additional clause: "the obligation of the acceptor hereof arises out of the purchase of goods from the drawer."

The buyer accepts the draft by writing across the face of it, "Accepted. . . . . Payable at. . . . . Bank, Boston." He dates and signs this acceptance and returns the accepted draft to the seller in New York. The document is now a "trade acceptance," becoming due for payment in Boston 90 days from the date of the draft, if drawn "after date," but in 90 days from date of acceptance, if drawn "90 days' sight."

If the seller requires the money represented by this acceptance he may take the accepted draft to his bank and the bank will purchase it, provided the names appearing thereon seem satisfactory. The bank in turn may rediscount the acceptance with the federal reserve bank, as the obligation arises out of the purchase of goods, and thus falls under the provisions of the Federal Reserve Act. The market rate of discount is charged by the bank for its courtesy.

### **Documentary Drafts**

The bill of exchange differs from the trade acceptance only in the method of its handling. If the exporter wishes to realize on his shipment as soon as the goods have been dispatched, he collects all the documents required to prove title thereto—bill of lading, insurance policy, consular invoice, and so on—attaches them to the draft and presents them to his banker. The banker is usually willing to advance from 50 to 90 per cent of the amount of the invoice, and in some cases the full amount on the strength of the security offered—the title to the goods until payment for them is made. Whether or not the bank has a foreign trade department and thus has affiliations abroad which will enable it to present the draft and collect its value at the lowest possible expense, is immaterial. If it is a small-town bank not equipped to do such business, the documents are forwarded to an export bank. The exporter may have to pay an extra commission for this service, but if his foreign trade is relatively small he may nevertheless prefer to deal with his local bank.

It should be clearly understood that when an exporter sells his documents for cash in this way, the transaction is neither a sale nor a discount. It simply represents a loan or advance by the banker on the security of the goods in shipment and the probity of the exporter. If the goods are staple commodities and readily salable at their place of destination, the

banker will generally advance 90 per cent of their value, regardless of the credit rating of either seller or buyer. If the rating of both buyer and seller are highly satisfactory the banker may advance the full amount of the invoice, especially if the charges for collection and exchange are to be paid by the acceptor and thus to be added to the face value of the draft. If the goods are specialties or machinery which under a forced sale may have little or no market, the banker may allow only half the invoice price. But as the bank can recover the loan from the exporter if the buyer will not accept the draft and the goods are thrown back on the shipper's hand, the full value of the invoice, less probable expenses and the commission, is often advanced by the bank to its regular customers.

### **Bank Acceptance**

When the foreign importer has ample resources he may instruct his own bank to establish his credit abroad for a certain amount by authorizing a bank in the exporting country to pay drafts drawn upon him by that country's shippers. This authorization is the bank credit already referred to. In any such cases the correspondent bank places its acceptance on the seller's drafts which are then readily negotiated in the open market at current rates of discount. Such bank acceptances are usually sold on the discount market either in this country or abroad.

Sometimes the importer arranges with a bank in his own country to honor drafts made upon him by exporters, or, if he is doing business on a large scale, he may open an acceptance credit with a bank in any of the great financial centers abroad, irrespective of the points of shipment. In that case the credit is opened in dollars, pounds, or francs, as may be most profitable in effecting exchanges and in taking advantage of current rates of discount. Under such an arrangement, the exporter in this country draws against the accep-

tance bank abroad and sells the draft, with the full set of documents, to his own bank. The bank purchasing the draft sends it for acceptance to the bank abroad and the accepting bank looks of course to the importer or to his bank for reimbursement at maturity.

The exporter is not concerned with the arrangements the importer has made with his bank in order to obtain credit. It may be that the bank will not deliver the goods to the purchaser until the latter pays for them; or it may deliver only part of the goods to the importer and until these are sold and paid for may refuse to deliver the rest.

### **Financing the Import Shipment**

The methods of financing imports have been indicated more or less fully in connection with export shipments since one method is obviously indicated by the other.

Drafts in payment of imports may be time or sight, with documents or without. In case of a documentary time draft the delivery is made against payment or acceptance, usually the latter. Drafts may be drawn for the invoice amount alone or:

1. For the invoice plus collection charges.
2. For the invoice plus collection expenses and interest charges.

They may be discounted, pledged, or merely placed for collection. They may be drawn "without recourse" but this happens very rarely.

The importer, if his credit or his funds permit, may secure credit from a bank abroad by means of a letter of credit which varies in its terms and the methods of sending it. Each bank has its own policy regarding these letters which are not always alike and frequently vary in substance as well as in form. The importer in America may raise the money to pay for his purchases abroad by the following means:



1. Discounting his own note.
2. Discounting his customer's paper, if he is well known, with his indorsement.
3. Negotiating a loan with the imported merchandise placed in a warehouse as collateral and delivered in parts against a trust receipt.

Both importers and exporters are dependent upon banks in their operations. The selection of the proper bank and the making of advantageous arrangements with it are therefore of prime importance to the success of both.

## CHAPTER XXXVIII

### FOREIGN CREDITS AND COLLECTIONS

#### Credit Customs

In view of the fact that long credits are the basis of successful foreign trading, it would seem that the exporter must be prepared to do business on a credit basis. But, as indicated in the preceding chapter, the bank is generally willing for a consideration to carry the burden of financing the transaction so that the idea of long foreign credits is to a great extent a theory. While many European houses give as long as 12 months' credit to their customers, they can and do receive cash as soon as they place their goods on board the steamer. The exporter surrenders to the bank the bill of lading, the bank pays him the face figure of his bill, and the consignee pays the interest on the money to the bank, instead of paying it to the consignor. From this point the transaction is between the bank and the consignee. Frequently the buyer does not settle with the bank for years if he needs the money and his credit is good, the bank being well satisfied with the interest; in this way both parties profit.

In order to bring about such an agreement, two things are necessary—the customer's financial standing must be satisfactory, and the bank must be willing to discount the bill. The export bank will not ordinarily discount an exporter's bill unless it knows or can be shown that the buyer's credit standing is satisfactory. One justification for the existence of the commission man is that he knows the standing of his customers, he is willing to accept their credit, and he knows where to find a bank which will discount his customers' bills.

**Credit Information**

British and other European banks having branch houses in different parts of the world make it their business to accumulate exact information as to the rating, responsibility, character, etc., of local merchants as do the branch offices of a mercantile agency which is doing international business. The most reliable report is that which is obtained from an overseas bank and by personal representatives of the exporter. Bankers are very careful to whom they give credit and their information is being constantly brought up to date, for they not only have the means but the opportunities to check and renew it at frequent intervals. In consequence it constitutes a valuable business asset and foreign bankers are usually unwilling to make reports as to credit rating to any but their own customers. When the exporter's bank has no affiliation with a bank in the part of the world to which the goods are to be shipped it may be unable to furnish a report, in which case recourse must be had to a mercantile agency. Entire reliance should not be placed upon information received from these agencies. They are not, of course, infallible and their reports should be corroborated by information from other sources unless the financial reputation of the party is already fairly well known.

If an exporter wishes to ascertain personally the standing of his customers, the usual method of procedure is about as follows.

First, he should find out from the records of the concern, whenever he can, whether it is a corporation, what is its capitalization, and who are the directors. In most countries there are commercial courts and registration bureaus where information pertaining to the firm must be filed by the concern itself, as also the reports of some of its transactions.

Second, he should get all the information he is able to obtain from the concern itself in as tactful a manner as pos-

sible—for the more desirable the customer, the more will the latter resent the distrust implied in a curt request for credit information.

The third step is to go to some of the parties with whom the particular concern is dealing and ascertain from them and from the general mercantile public what they think of the firm.

The indispensable information will include the age of the concern, its legal status, how closely it is supervised by the government, its history, and its present management and policies. Such information should be embodied in a special report, and kept on file so that such changes as may occur from time to time can readily be made.

### **Discounting Drafts**

As a bank is primarily an institution which permits a person to create credits either by deposit of funds or by borrowing at a certain rate of interest, its business consists largely in providing working funds—for a consideration. This consideration, in case of foreign exchange, is the discount which the banker deducts from the face of the draft which he purchases or accepts. This discounting is a separate business transacted on a large scale by the so-called "bill brokers." Their function is to discount time drafts for persons who desire to realize their funds immediately and who are willing to pay a consideration therefor.

### **International Banking**

In nearly every South American country there are strong European banks with branches everywhere. Before the war there were in Argentina five great British banks with a total capitalization of about \$675,000,000, and several German banks with branches throughout the country and a total capitalization of \$15,000,000. Similar conditions prevailed in Brazil, Chile, Peru, and other South and Central American

countries. Some of these banks had agencies in New York and many of them specialized—some in South American business, others in far eastern credits, some in coffee credits, others in silk or dry goods, and so on.

Since the passing of the Federal Bank Act, New York City has been coming into its own as a banking center of the world, and a bill on New York is now recognized as legitimate and proper in overseas transactions. Formerly the financing of imports and exports was confined to a few private banks which made a specialty of foreign exchange. At present a bank in any large city of our country is hardly considered of the first importance unless it is engaged in foreign transactions, and there is scarcely any foreign exchange manager who is not doing some sort of international credit business. The result of this change is the development of the foreign commercial credit business, which has become an integral part of our banking methods and which is growing in importance every year. This development is the most auspicious omen of a thorough understanding between our banking interests and other kinds of business. The bankers and the traders are coming to realize that their interests in the extension of foreign trade are identical.

### **Effect of Federal Reserve Act**

The Federal Reserve Bank Act now permits the national banks of the United States to accept time drafts or bills of exchange covering international transactions. The establishment of an open discount market in which foreign bills may be bought and sold is a natural sequence. The fact that acceptances can be freely sold in New York has created a market in the different parts of the world for bills on New York for which formerly there was no demand. The export bank is now willing, especially during a crop-moving season, to carry the bill for the voyage. When the voyage is over and

the draft is accepted it is more profitable for the bank to discount the acceptances than it is to hold them, and in this way it secures funds for reinvestment in other bills of exchange. When these acceptances are indorsed by the bank they do not, in their buying and selling power, depend upon the credit of the drawer but are good wherever the name of the accepting bank is known. (See Appendix A for sections of Federal Reserve Act bearing on this subject.)

### **Trust Receipts**

Not infrequently before meeting payment on his import letter of credit the importer is allowed by his own bank to receive the bill of lading which means that he can also receive his consignment of goods. The local bank thus risks both the amount of the credit letter and the value of the goods, but trusts his customer to settle as soon as he sells the goods.

This kind of credit is extended by means of the "trust receipt" which the importer gives to his banker and which contains a statement that the merchandise has been duly received and that the proceeds from its sale will be applied first of all toward paying off his sight draft before or at maturity. Such receipts usually contain reservations to the effect that the merchandise in question is to be kept separately and that the proceeds from its sale will be kept apart and be distinct from the firm's other assets and that they are to be delivered to the banker on the day they are received.

On the receipt of the money from its client the local bank may send it to the bank in London or New York in payment of the bill which the bank had previously accepted; thus the whole amount of the draft is covered before its maturity.

### **Finance Bills**

"Finance bills" are of importance in the banking transactions between the United States and England, because by

means of these bills the interest rates of the two countries are equalized. When a banker in this country wishes to realize funds here for the time being, intending to meet his draft at maturity by the purchase of demand sterling or cables, he simply draws his draft upon a foreign bank and sells it in the discount market. It is a method by which a banker borrows in a cheap market and lends in a dear one.

Margraff ("International Exchange," page 14) points out the following advantages to a bank in maintaining a foreign exchange department:

"1. It affords complete facilities for an all around banking business thereby preventing the possibility of losing a profitable account.

"2. It is a valuable auxiliary to attract depositors.

"3. It commands added prestige among bankers in its own country and through the world, who accept drafts against its letters of credit.

"4. The bank is thereby converted into an international institution, thus vastly increasing its field of operations, by placing it in touch with the long established monetary centers.

"5. The bank is afforded an opportunity of placing loans at profitable rates of interest in the great money markets of the world where favorable conditions may prevail, by the purchase of the bills of exchange as an investment.

"6. It affords the bank an opportunity to borrow funds by means of finance bills in any money market of the globe."

## CHAPTER XXXIX

### FOREIGN COMMERCE LAWS

#### **Necessity for an Elementary Knowledge**

By the laws of commerce the nations of the earth are brought into closer comradeship and mutual good-will. These laws not only safeguard the peoples of the world in their reciprocal relationships, but they tend to develop a homogeneity of interests between nations, as the tendency of the commercial laws of each country is toward uniformity and agreement with those of other countries. Like the trade of the world, the laws of commerce are becoming more and more cosmopolitan and universal in their character. The world trader of today must, then, fit himself to become a member of a greater state and a citizen of the world.

Trade activities in foreign lands multiply the trader's responsibilities and involve the question of the responsibility of others to him. All such responsibilities are necessarily regulated by the laws of the countries of which the parties are citizens or residents. There may be occurrences involving the laws of four or five different countries simultaneously.

It follows, therefore, that not only the merchants and manufacturers but the student preparing himself to make foreign trade his vocation should know something of the legal requirements as related to commercial activities of other countries as well as of his own. He must know their fundamental laws and trade usages. Nowhere on earth does ignorance of the law excuse a man's acts or tolerate his illegal commissions.

The trader should not, however, be his own lawyer and dispense with the services of an experienced attorney. The



question arises, where is he to look for such services in the United States? If we are to become world traders we must eventually develop a class of international lawyers who are familiar not only with the principles involved in public and private international law, but also with the laws of commerce of at least the principal countries of the world. At present there are but few such lawyers in this country.

### **The Commercial Codes**

The Anglo-Saxon system of law is divided into two main classes: the civil and the criminal. Accordingly those states which have adopted a code system have two codes—a civil and a criminal code. Under these codes all actions at law are conducted and all citizens can be reached no matter what their vocation or standing. But this procedure holds good only in the Anglo-Saxon countries.

The rest of the civilized world in addition to civil and penal law has a third distinct legal entity, viz.: the commerce law embodied in a special code called the commercial code.

Thus a man abroad who wishes to sue another man in connection with a business matter must do so under the commercial code and not under the civil code as in the United States. The commercial code is administered by special tribunals called "commerce courts." These courts have the advantage over other courts in that they are more expeditious and more free from the usual technicalities, resembling in this respect our municipal or justices' courts.

There are two distinct models—the French and the German—upon which the commerce laws of the different countries of the world are based. Their thorough organization dates from the latter part of the last century. The commerce laws patterned on the French model are very similar. Thus, for example, the commercial codes of Honduras, Guatemala, Paraguay, Uruguay, Cuba, and Argentina, are similar and in

many cases identical, because they are substantially the same as those of Spain which patterns its law on the French model. Those of Venezuela, Peru, Austria, and<sup>1</sup> Japan show German influence. Those of Sweden, Norway, and Denmark are almost identical and show the influence of both standard types.

### Registration

Commerce courts in every country have a registry office which resembles our registry of deeds. This registry bureau is a very important factor in trade. Here every individual business man and every corporation or firm doing business within a certain area is compelled by law to register and in some cases to file periodical reports regarding its business and a sworn statement concerning its financial status. Non-compliance with this law is visited with severe penalties. Frequently business men are directed to file sworn reports as to the personnel of their firm and as to any changes which occur.

In most countries agents must have power of attorney from their principals with the exact description of their authority. Such documents are also filed at the registry bureau as are also notices of changes in them. Revocation of power of attorney must always be recorded lest the principal be held responsible for the acts of the agent, although the latter may no longer be employed by him.

The registration is prescribed to take place usually within 15 days from the commencement of business or from the revocation of authority or other change which the law requires to be recorded. Specimen signatures of the heads of enterprises and of their agents must oftentimes be registered also.

Foreign corporations have greater scope of action in countries under the commerce code, and greater elasticity in their business methods is allowed, although they are more strictly supervised by the government. The documents which they register are usually the certificate of incorporation, which

should be verified by the embassy or the consulate of the country where it is to be filed, the minutes of the first meeting, proof that the capital required by law has been paid, proof of publication in local papers of notice of registration and of the issuing of the license to do business, which is usually required in the permit.

The registration meets two ends—it protects the registrant and it protects the third parties by giving them notice of the existing status.

In America a man who buys real estate and fails to register his deed, or who buys land without first looking up its record, would be considered as foolish and fully deserving of the consequences of his folly. In the countries under the commerce code the same principle is extended to many business documents and if a man is foolish enough not to register a document when he is required to do so, or fails to look up a record when such a course is advisable, he is liable to suffer accordingly.

### **Miscellaneous Provisions**

In all cases foreign corporations should comply with every requirement for domestic corporations. The same is true of the subsidiary companies organized to do business in one or more foreign countries. There are in many cases special advantages to be had by organizing in the country where business is to be conducted and it is always advisable to consult a lawyer familiar with the laws of that country before the details of organization are decided upon. Frequently American companies have been refused admittance to foreign countries on such seemingly trivial grounds as that their home charters were perpetual when local law limited the life of a corporation to a certain period of years. Most countries do not draw a sharp distinction between a stock corporation and copartnership.

Notaries have great power in code countries. They usually

keep in their files or on their record books the originals of deeds, mortgages, contracts, and copartnership agreements executed by them, issuing certified copies only.

Power of attorney is a most important factor in transactions abroad, since it takes so long to communicate with one's representative. Great care should be exercised in giving this power; preferably it should be granted to a lawyer or a banker of high standing.

Married women in Latin America and in other countries under commerce codes do not manage their own property. As it passes to the husband the moment they marry, it may go into his business. In cases of bankruptcy, creditors in many cases are subordinated to the rights of the wife so that it is sometimes important to know whether or not a customer is married and if so if he is doing business with his wife's money.

### **Bankruptcy Laws**

Bankruptcy laws are very much stricter in the countries where commercial codes prevail and it is sometimes difficult if not impossible for the bankrupt to secure rehabilitation. In a number of countries bankrupts are arrested and held until released by creditors. Extravagant living, selling at a loss, taking unnecessary business risks, and failure to keep books prescribed by law, make bankruptcy fraudulent in most countries and prevent the rehabilitation of the bankrupt.

Foreign creditors of the bankrupt debtor are generally treated on equal terms with domestic creditors. All licensed brokers who fail in their business are deemed by law and are treated as fraudulent bankrupts. Their powers while in business are closely regulated by the government.

### **Compulsory Bookkeeping**

The countries which have established a commercial code as a rule make it compulsory for all who are engaged in busi-

ness to keep a certain number of books—in some countries as many as eight. But that is not all. The law also prescribes the manner and method of keeping the books. For instance, the pages must be initialed by a judge of the commerce court and his signature must appear at the opening and the closing of all books. This law of course applies to the branch offices established in such foreign countries. It is also required that copies of letters and telegrams be kept on file.

The books usually required to be kept under the code are a:

1. Journal
2. Ledger
3. Press copy letter book

These books must be preserved for a period of from 10 to 30 years. In case this law is not complied with or the books are lost and a litigation results, a judgment is rendered on the entries in the books of the adverse parties.

### **General Governmental Supervision**

As the usual thing, business in all foreign countries governed by a commercial code is more closely supervised by the government than is the case in the United States. For that reason the creditors are better protected from fraud and imposition than in our home markets. As a general rule it is safe enough to deal abroad on credit with a well-established and reputable concern, and if it were not for the distance separating a foreign customer from the seller in the United States there would seem to be no reason why the foreigner should not be at least as worthy of credit as our domestic customers of the same standing.

A foreigner who lives under a commerce code is far more severely dealt with by law than he would be in the United States in case of his inability to meet his commercial obligations. Foreign creditors are almost invariably treated justly

by the commerce courts and in a number of countries—Russia and Turkey, for example—they have had a preference over the domestic creditors.

### **Commercial Paper**

Commercial paper in nearly every country of the world is governed very much by the same general law which exists in the Anglo-Saxon countries. There are of course minor differences here and there and these must be carefully observed. Protest is necessary in nearly every country and days of grace are usually allowed. Actions under a commerce code are barred by a limitation in a very much shorter time than is the case in the United States or Great Britain, and very often a suit must be brought within a period of 3 months if recourse to law is to be had.

As a general rule, commercial paper should be presented without delay on the day it is due and some countries provide that unless a check is presented within a period of from 5 days to 3 weeks, the claim may be declared void and no legal responsibility can be attached thereto.

Other countries have a provision of law as to what constitutes a complete indorsement of a bill of exchange. This document generally should contain the date on which it is made, the name of the party to whom it is transferred, the declaration of value received, and the signature of the indorser.

In France bills payable at sight should be presented within 3 months from their date and are barred by limitations after 5 years. Checks must be presented for payment within from 5 to 12 days, and sight drafts within 4 days from date of protest.

In Peru a commercial paper with blank spaces or alterations can be declared void and the indorsements should be dated and state the value received. The same rule obtains in Ecuador.

In Argentina and Chile a bill of exchange must be presented for payment on the date due and in case of refusal must be protested without delay; otherwise the holder will be liable for damages. The notice of protest must be sent to all indorsers, usually within 15 days.

In Japan actions on commercial paper are barred by limitation after 6 months.

In Turkey after a bill is protested for non-payment the bearer may proceed to attach the property of the drawee or any of the indorsers.

### **Peculiar Trade Customs**

Each country has its own peculiar trade usages and customs which enter into its legal fabric and are generally enforced as if they were the law of the land.

In some parts of the world these customs are most unusual. China, for instance, has no stable commercial law and its general legal edifice rests largely upon ancient customs, which differ in each province. The keynote of the entire Chinese legal system is the doctrine of mutual responsibility. This is to say, that those related to or closely connected with a guilty person are held responsible for his acts on the theory that they should have seen to it that he behaved himself. Such persons oftentimes have been punished severely for the acts of relative or friend, whether these acts were of a criminal or business nature, on the ground of dereliction of duty in not exerting strong enough moral influence over the wrong-doer.

In Japan foreign business is largely in the hands of importers who are reached through a native salesman who acts as an intermediary between buyer and seller. It is always safer in dealing with this salesman to stipulate that his authority is transferable or can be terminated at the will of the principal—otherwise, if working on salary as well as commission, he often claims that he was engaged for a year or more.

### **Commercial Travelers**

Many if not most of the countries of the world have strict regulations concerning commercial travelers. Such travelers are generally required to take out a license and pay a tax before they can do business, some countries going so far as to demand a certificate of identification from the firm with a photograph of the traveler duly certified to by the consul. In most Latin-American countries a license and trade tax are required from all persons engaged in business.

To equalize taxation between domestic and foreign business a tax is levied on all foreign travelers. Such taxes can usually be escaped in Latin America by the traveler associating himself temporarily with a local concern and acting as its agent. Also in these countries commercial travelers should carry power of attorney from their principals and in some cases they are required to have health certificates. Invariably it is good policy to carry passports in order to avoid legal entanglements.

The regulations in force in the various countries are given in Chapters XLI and XLII.

### **Law of Agency**

The main principles of the law of agency are very similar in all civilized countries. In China, Turkey, Egypt, and some other oriental countries there have been established by treaty, federal courts and mixed tribunals where action between natives and foreigners are tried. These courts and tribunals are composed of judges of the foreign countries which are the parties to the treaty. In all the semicivilized countries and in nearly all of the Orient there are consular courts in which the minor differences between the subjects of each particular country represented by the consulate are tried.

Sometimes stoppage in transitu of the goods for a foreign country becomes necessary. It was held that in such cases the



stoppage does not rescind the contract of sale, merely suspending the delivery, and that the seller has the right of stoppage.

It has been held that goods sold F. O. B. or C. I. F. are the property of the buyer and are at his risk the moment they are put on board the ship. Under C. I. F. contract of sale the vender, however, is in duty bound to ship the goods under such bill of lading as will insure their delivery at the port of destination. It has also been decided that the principle governing recovery of damages is not applicable to conveyance by sea. These decisions, which have been generally followed by the United States courts, have been secured under the so-called Harter Act, which differs from the English law in that it prohibits the insertion of negligence clauses by which the ocean carrier is relieved from liability in "loading, stowage, custody, care, and proper delivery and seaworthiness."

### **Sources of Information**

There is no one source of complete information on the subject of commercial laws of all the countries of the world. The year-books of different countries usually give a fair outline of the commercial laws of the countries which publish them. Few of them have been translated into English.

There are very few lawyers in the United States today who are familiar with the commercial laws of foreign countries and these few specialize in the laws of but one or two countries. For practical purposes in intricate legal matters it is best to employ a local attorney of the particular country.

In matters where legal information is desired immediately, the aid of the Bureau of Foreign and Domestic Commerce of the United States, or of the Pan-American Union regarding the laws of Latin America should be sought.

In some cases the consulate of the country involved or even the embassy may be willing to render assistance, but these offices usually refer such inquiries to their lawyers.

## CHAPTER XL

### SUMMARY OF TRADE-MARK, PATENT, AND TARIFF LAWS

#### **A Knowledge of Trade-Mark Laws Essential in Foreign Trade**

The protection against the use by others of the manufacturer's trade-mark is perhaps more important abroad than at home. There the customer may not be familiar with the language of the country to which the trader belongs and he recognizes the goods largely by the brand or trade-mark which they bear.

In order to hold trade in foreign lands it is of great importance to be in a position legally to prevent competitors from using the trade-mark by which a particular owner's goods are known. Its appropriation or even imitation results in injury to the trade of the manufacturer of the genuine article and this injury may be twofold. He is not only deprived of the use of a mark which he established through his effort but oftentimes it is made impossible for him to send his goods to the market in which his trade-mark has been usurped since the reputation of his goods may there have been discredited by the sale of imitations under the name by which the genuine article is known. Such imitations are invariably of inferior quality in order that they may be sold at a lower price.

#### **Classes of Trade-Mark Laws**

Trade-mark laws of foreign countries may be divided into two classes: first, those under which the right of ownership is acquired by adoption and use and the registration is secondary, as in the United States; second, those under which the right of

ownership is derived exclusively from registration, irrespective of whether or not the trade-mark has been in actual use prior to registration.

By far the greatest number of foreign trade-mark laws belong to the second class, which means that the ownership of the trade-mark begins with its registration and exists so long as the registration is in force. In many countries, especially in South America, its absolute ownership is given by law to the person who first files an application for registry, whether he is the owner of the trade-mark in question or not. It then becomes possible for the infringer to secure legal rights and to sue the original owner as an infringer to prevent the selling of his goods in the countries where the owner failed to register his trade-mark.

Where such laws prevail, the original user of the trade-mark is without a remedy at law should someone else first register it, and the only way for him to protect himself against usurpation, which is but too common in many countries, is to have the trade-mark registered as promptly after its adoption as possible, especially in those countries where trade is contemplated.

### **Regulations of the International Convention**

In considering foreign trade-mark laws, one must always inquire whether or not the country under consideration is a party to the International Convention; if it is a party, its laws on the subject of trade-marks should be considered in connection with the provisions of the convention to which each signatory country is subject. The rules of the convention are as follows:

The International Convention provides that each of the countries party to the convention shall register and protect the trade-marks of citizens and residents of each of the countries which are parties to the same to the extent that domestic trade-

marks are protected. It further provides that each country which is a party to the convention shall register the trade-marks of citizens or residents of the other countries in the form in which they are registered in the country of their origin. It also provides that application for registration made in any of the countries within four months from the date of application for registration in the country of origin shall be given the same effect as if made simultaneously with the application in the country of origin.

The following countries are now parties to the International Convention:

Belgium	Netherlands with Dutch In-
Brazil	dies
Denmark	Norway
Dominican Republic	Portugal
France and her Colonies	Serbia
Great Britain, including Can-	Spain
ada, New Zealand, and	Sweden
Queensland	Switzerland
Italy	Tunis
Japan	United States

### Registration

Registration fees are frequently insignificant; in some countries they do not exceed \$5, and in only a few of the countries of the world do the charges exceed those existing in the United States.

The requirements of registration are generally few and simple. Usually all that is required is the statement in the language of the country in which registration is desired describing the identity of the applicant, with a few printed copies of the trade-mark and a statement as to the class of goods on which the trade-mark is to be used, the power of attorney, provided the applicant does not appear in person, and of course the fee.

Usually the term for which registration is granted is short—10 to 20 years—but renewal is possible in every case. If the trade-mark is not used in the country where it is registered it will, after a certain period of time, be considered abandoned.

Formalities of registration in Latin-American countries may be obtained from Tariff Series No. 31 of the Department of Commerce.

The definition of what may be registered as a trade-mark is generally broad enough to include any distinguishing mark.

### **What May Not be Registered**

Most of the countries of the world do not permit the registration of trade-marks which contain one of the following:

1. Letters, words, coats-of-arms, or armorial bearings of royalty, and public or official insignia used or that may be used by the state.
2. If exclusively composed of portraits of the king or emperor or of the members of the royal house.
3. Scandalous matter or representations contrary to good morals.
4. Marks previously registered or which so closely resemble the previously registered marks as to cause confusion or tend to deceive.
5. Marks composed exclusively of numerals, letters, or words.
6. Form, color, and terms usually employed to indicate the nature of the goods or the class to which they belong, or which do not constitute distinctive marks.
7. Portraits of living persons if used without their consent.

### **Rules Regarding Registration**

In foreign countries the protection against infringement of registered trade-marks is better than in this country. As a rule,

provision is made for criminal as well as civil punishment for wilful infringement of duly registered trade-marks. Such remedy is provided in addition to the right on the part of the legal owner of a registered trade-mark to recover damages for past infringement. It is also possible to obtain an injunction against future infringement.

Nearly all foreign countries recognize the distinction between commercial names and trade-marks, and in practically every country of the world commercial names will be protected without registration.

It must be noted that in many foreign countries imported goods must be marked with the name of the country in which they are manufactured and false marking in this respect is usually punishable.

In a number of Latin-American countries, distinction is made between the manufacturer's mark used to designate the products of a particular factory or concern, and the dealer's mark used to distinguish the articles handled by a particular dealer.

The appointment of an attorney is usually necessary to register trade-marks unless the applicant appears in person. Some countries require the power of attorney and the certificate of previous registration in the country of origin, and both must be legalized or authenticated by the consul in the country where the mark is to be registered.

Applications usually must be in duplicate form, and in some countries like Cuba and Argentina, from 6 to 15 copies are required. In Latin-American countries the application must be made on stamped paper. As a rule it should contain a description of the mark in the language of the country, the name and address of the applicant and of the factory, a description of the kind of industry, etc. It is generally required that a certain sized electrotpe of the mark be presented with the application. Some countries require that the size and color

of the mark be indicated, and a number of countries that the application be published before registration may be effected. It is generally provided that if the application should be rejected, the fee is to be returned.

### **Patent Laws**

Delay in applying for patent protection may result in the loss of right to a patent even though the delay in applying for the patent has been very short. It is the general rule that an invention which has become generally known for a period of time cannot obtain patent in any country. Patents are granted usually in all countries only for new inventions. Hence, a manufacturer desirous of obtaining a monopoly on his patentable product should apply for a patent at once in those countries where there is likelihood that the product may be manufactured.

In more than seventy countries a patent may be applied for, but as there is so little manufacturing carried on in many of them the danger of infringement is not large enough to justify the expense. It is usually advisable, however, to apply for a patent in about ten or twelve countries, because otherwise the expense of maintaining a patent would in many cases be prohibitive.

The International Convention regulations referred to in the discussion of trade-marks also contain important provisions concerning patents. These provisions protect the applicant for a patent in all of the countries which are parties to the convention to the extent that he is accorded priority. Accordingly, the applications subsequently made in any of the other countries are given the same effect as if filed on the date of the application made in the country of the origin, provided that such subsequent applications are filed within a certain period of time.

The applicant under the provisions of the convention is free

to make public use of this invention during the period between the date of application in the country of origin and the filing of the subsequent applications in other countries.

The articles of the convention also provide that importation of goods embodying the invention into any country shall not invalidate the patent, provided the requirements of that country regarding the working of the patent are fulfilled.

### **Tariff Laws**

Every tariff act usually has an introductory chapter wherein are enumerated articles which are admitted duty-free (if there be any such articles) also the articles which are denied admission, such as salt in some countries, ammunition and absinth in other countries, and so on.

The tariffs are usually classified and the articles taxed are arranged systematically according to various schedules. This is where the trouble generally arises between the importer and the custom house officials. The importer oftentimes claims that his importations should be classed under a different schedule or classification from that under which the customs officials claim it belongs. It may mean a great deal to him in the amount of duty to be paid. Such differences give rise to litigation in which oftentimes large amounts of money are involved.

Some countries tax imports at so much per unit, other countries levy taxes *ad valorem*, but usually a certain per cent on net or gross weight is charged. Therefore it is usually necessary that legal and gross weight be stated upon the package to be exported.

There are general and conventional tariffs; the former is levied in all cases, the latter only according to the agreement between different nations.

It is within the province of the act prescribing tariff to set forth also the custom house machinery explaining the func-




tions and duties of various officials charged with the administration of customs, and the procedure regarding the entry of goods from foreign countries.

Tariff is levied:

1. For revenue.
2. To safeguard and protect home markets.
3. To extend foreign trade by being in a position to negotiate better terms of entry.
4. For political purposes.
5. To solve the problem of colonial markets.

It is not necessary to go into the differences of opinion that everywhere exist relative to the wisdom of high or low tariffs. The exporter should, however, familiarize himself with the tariff acts of countries in which he is interested. For that purpose some of the publications treating of this subject or the Department of Commerce publications may be consulted.

The laws in foreign countries change as they do in America and it is impossible to quote laws specifically even if space permitted.





**PART V**  
**TRADE REGULATIONS**



## CHAPTER XLI

### COMMERCIAL TRAVELERS

#### **Knowledge of Regulations Indispensable to the Exporter**

As has been previously stated, nearly every country has some regulations pertaining to commercial travelers. It is important that the exporter know these regulations, not only that he may figure accurately the expense of conducting a selling campaign in any given territory, but also that he may provide his representative with the necessary documents and facilities for carrying out that campaign successfully.

As an aid in obtaining this knowledge, the digest of the regulations pertaining to commercial travelers in every country of the world, which appears later in this chapter, has been compiled from the most reliable sources available. It may serve a very useful purpose in giving the exporter an idea of the cost and the formalities which will be involved in conducting his proposed foreign campaign, both of which factors he may wish to consider beforehand.

The fees, laws, and even railroad regulations pertaining to commercial travelers in foreign countries change frequently. Notwithstanding this circumstance, the changes are never radical and there is always a very great similarity between the old and the new regulations; the substance usually remains unchanged. In view of this fact, the exporter will get from the digest a pretty good and certain idea as to what the requirements in a given country are, so that he may estimate the probable cost and know formalities to be undergone with fair approximation even though he be unable to learn the current rates and regulations from other sources. The

digest has been made as brief as possible so that the exporter may obtain the desired information at a glance. Further details or changes which occur may usually be obtained from the Bureau of Foreign and Domestic Commerce, Washington, D. C., or the general consulate in New York of the country under consideration.

### **License Fees and Taxes**

An examination of these laws will show that in some countries the license fees charged and the taxes levied on travelers are quite large. In some countries, moreover, such taxes are imposed by both federal and municipal governments, while an additional province tax is not exceptional. It is true that in most South American countries these taxes can be avoided by the foreign traveler if he makes arrangements to act also as the representative of a local concern, but this is not possible in every case. It should be noted further that in many countries an income tax is levied in addition to the license tax, and also that the license tax is usually personal, not transferable, and is higher if the traveler represents more than one firm.

### **Recent Treaties with South American Countries**

A distinct tendency toward a simplification of the now complicated regulations existing in the countries of South America is indicated by the treaties recently concluded between the United States and Uruguay and between the United States and Guatemala. The chief feature of these treaties is that they provide for substitution of a single license fee in place of the numerous local taxes and fees previously collected from commercial travelers in most of the South American countries. By this provision, and by others of less importance, the operations of United States travelers in the countries mentioned are greatly facilitated.

The strength of this tendency to promote foreign trade through the simplification of regulations is borne out by the fact that negotiations are understood to be in progress for the conclusion of similar treaties with more than half the countries comprising the Pan American Union. These negotiations seem to be received with particular favor by agencies influential in the foreign trade affairs of Argentina, one of the largest of our South American neighbors.

### **Documents Required**

Many countries require of commercial travelers in addition to a license and a tax payment, documents of identity and power of attorney from their principal showing authority to act and proving that they represent a certain firm. In cases where countries do not by law require such documents, it is invariably advisable to carry them, for one can never know when a need for them may arise. In addition to the power of attorney, British and other foreign travelers frequently carry certificates and letters of introduction from chambers of commerce, boards of trade, banks, and merchants whose standing and reputation are well known to the country which they propose to visit.

### **Admission and Sale of Samples**

The laws pertaining to the admission of samples without any commercial value are practically uniform, in that such articles are admitted free of charge, whereas samples of commercial value are usually admitted upon deposit of security, which is refunded if the goods are taken out of the country within some specific period. If the refund is desired, the samples must be sent back from the same port through which they originally entered. It is the custom in a great many countries, however, for commercial travelers to sell their samples before they leave the territory.

It will be noted also that there is a different regulation for travelers who propose actually to sell goods instead of merely to take orders. Some countries or states within countries in which there is no tax upon travelers taking orders, require a pedler's tax in case they make actual sales. Moreover, most of those states in which there is an ordinary tax for travelers require an additional license if samples are to be sold.

### **Other Important Factors**

Generally speaking, no tax is levied on printed matter. In most of the Latin-American countries such a tax exists, but is seldom enforced.

Railroads abroad generally do not give commercial travelers preferential treatment. The railroads in some countries, however, are an exception to this rule and grant a considerable reduction, as will be noted in the digest of regulations. Furthermore, in certain countries railroads make a reduction in rates for carrying the sample trunks of commercial travelers. In some cases this reduction is large and it will be found worthwhile to secure definite information on the subject before making plans for a selling campaign in a particular territory.

The exporter must bear in mind that the season during which a campaign is conducted is of great importance. He should send his traveler into a country during the season which is likely to afford the best climatic conditions for a selling campaign, and should bear in mind the fact that in most foreign countries business is much more brisk at certain times of the year than at others and that certain seasons exist there as in the United States for the sale of certain classes of goods.

### **New Republics and Enemy Countries**

No regulations are given of the various new republics which have come into being as a result of the war because at this time it is not known what the regulations will be. It is



safe to assume, however, that during the reconstruction period travelers will generally be admitted free, especially representatives of those firms which deal in articles greatly in demand. The firm sending a traveler to any of these countries should get in touch with the Department of Commerce regarding the regulations. If no information can there be obtained, he should cable directly to the American consulate in the country with which intercourse is desired.

In all those European countries in which, since the beginning of the war, there have been radical changes in government and policies the old laws must be observed with very much greater caution than in other countries, and proportionate effort should be made to ascertain the latest requirements.

#### **Abyssinia**

No special regulations exist in Abyssinia concerning commercial travelers. Samples are treated as ordinary merchandise or property.

#### **Afghanistan**

No special regulations exist concerning commercial travelers.

#### **Antigua**

See "British Possessions and Protectorates."

#### **Arabia**

No special regulations exist concerning commercial travelers.

#### **Argentina**

Whether selling goods, showing samples, or soliciting orders, commercial travelers must secure a license. The charge for a license is different in each state and varies according

to the type of merchandise sold. In the city of Buenos Aires the annual license tax is 500 pesos, but it sometimes runs as high as 1,000 pesos (Argentine currency).

The following is a list of the license fees charged in the various states. The amount in each case is given in Argentine currency.

**BUENOS AIRES.** 400 pesos per annum.

**CATAMARCA.** 300 pesos per annum. A license for the privilege of selling a single article in mercers' or grocers' goods and of boots and shoes, costs only 200 pesos. Licenses must be taken out for the whole year and are not transferable.

**CHUBUT.** 50 to 500 pesos.

**CORDOBA.** 400 pesos per year; half-yearly licenses, given only after June 30, 300 pesos. Licenses are transferable in case they are taken out by a business house for an employee.

**ENTRE RIOS.** 600 pesos per annum; after June 30, 300 pesos. Licenses are not transferable.

**GRAN CHACO.** According to law, 50 to 700 pesos per annum; in actual practice the local office collects only 50 to 100 pesos.

**JUJUY.** For selling one kind of merchandise, 100 pesos; for each other class of merchandise sold, an additional 100 pesos.

**LA PAMPA.** 100 to 700 pesos per annum; if the license is taken out after the middle of the year the fee is proportionate to the time during which the license is to be held.

**MENDOZA.** 700 pesos per annum; January to April, 600 pesos; May to August, 600 pesos; September to December, 400 pesos. Licenses are not transferable.

**MISIONES.** 100 pesos per annum.

**NATIONAL TERRITORIES.** 100 pesos per annum.

**NEQUEN.** No license is required.

**RIOJA.** 200 pesos per annum; after July 8, 100 pesos.

**RIO NEGRO.** 100 pesos per annum.

**SALTA.** For selling tissues, 1,000 pesos; haberdashery, 600 pesos; groceries, 400 pesos; hardware, 550 pesos; china and glassware, 250 pesos; boots and shoes, 400 pesos; hats, 200 pesos; men's and boy's clothing, 800 pesos; women's clothing, 200 pesos; sugar, 1,000 pesos; wines, 200 pesos; drugs, 300 pesos; perfumery, 300 pesos.

Licenses in this province may be taken out for 6 months, counting from January 1 to June 30 and from July 1 to December 31. Their cost must be paid before operations are commenced. The fact of withdrawing samples from any railway station in the province or of offering merchandise for sale by means of catalogues or references is understood as implying that the commercial traveler has commenced doing business.

**SAN JUAN.** 400 pesos per annum. Licenses are not transferable and cannot be taken out for a portion of a year.

**SAN LUIS.** 400 pesos per annum; licenses are issued also for 3 or 6 months.

**SANTA FE.** 400 pesos per annum.

**SANTIAGO DEL ESTERO.** 300 pesos per annum. Licenses terminate on December 31, irrespective of the date on which they are taken out.

**TUCUMAN.** 600 pesos per annum; after June 30, 300 pesos. Licenses are personal but are transferable by authorization of the business house by which they are taken out.

Samples without commercial value are passed by the Argentine customs without payment of import duty. An import duty is charged on samples of value. It is refunded if the samples are re-exported within 6 months.

Printed circulars, cards, pamphlets, and catalogues imported in quantities by commercial travelers are subject to duty. The duty on advertising matter printed on cardboard is 42 per cent on the fixed valuation, or 0.60 pesos gold per kilogram, which is equivalent to about \$11 per 100 lbs.; on matter printed on bristol-board the duty is slightly higher, about \$11.38 per 100 lbs. Advertising matter printed on paper and ordinary matter printed on cardboard, are subject to a duty of \$4.73 per 100 lbs.

A commercial treaty between the United States and Argentina, similar to those already consummated between the United States and Uruguay and between the United States and Guatemala, regarding the regulations concerning commercial travelers is being favorably discussed at the present time. (See "Uruguay.")

**Australian Commonwealth**

Generally speaking, in the provisions of the Australian Commonwealth concerning commercial travelers, no regulations exist which require them to take out licenses. An income tax is required from resident agents in Victoria, New South Wales, Queensland, Western Australia, and Tasmania. In South Australia an income tax on profits is legalized but not enforced. The amount of this tax varies from 5 per cent on gross sales to 5 per cent on the net amount for which the goods have been sold. In Queensland resident agents of British firms have to take out a business license which costs £2 (about \$10).

Duty is usually levied on all samples of commercial value, but is refunded if samples are taken out of the country within 12 months.

The railroads usually make concessions to travelers. In Tasmania, for instance, every commercial traveler is allowed to take 112 lbs. of samples free of charge. Commercial travelers holding first-class season tickets are allowed to carry 2 cwt. of luggage free. Resident agents of foreign firms must pay £10 per annum for an importer's license.

**Austria\***

Foreign commercial travelers must provide themselves with "Certificates of Legitimation," which may be issued by any chamber of commerce or by the mayor of a city in the United States.

Commercial travelers, whether native or foreign, are strictly forbidden to solicit orders from private individuals. The regulations prescribe that the dealings of all travelers or agents must be confined to such firms or individuals as in the course of their business actually make use of the goods ordered, excepting in certain specific cases. Travelers may seek orders

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\*These are the regulations which were in force before the war.

from anyone for the following classes of goods, whether the person whose business is being solicited deals in the goods or not:

1. Machines of all kinds for plants, including motors and their component parts.
2. Building material, including artificial stonework of all kinds.
3. Motor cars.
4. Engineering requisites for heating and lighting apparatus and for waterworks.
5. Dies.
6. Wooden roller and venetian blinds.
7. Fine or embroidered linen.
8. Sewing machines, typewriters, and bicycles.

Solicitation of orders for other classes of goods from persons not trading in such goods, is permitted only if the person giving the order expressly invites the soliciting party. Such invitations must be spontaneous and must be specific, not general, in character. These regulations are enforced with particular vigor with regard to the solicitation of orders for grocers' and druggists' goods from persons neither dealing in nor making business use of such goods.

Goods carried by commercial travelers must serve merely as samples and must not be sold.

In some cases the railroads make a reduction in rates for the conveyance of cases of patterns and samples.

The samples imported by commercial travelers are exempt from import duty, if the same privilege is accorded Austrian representatives by the government of the country from which the traveler comes.

### **Bahamas**

See "British Possessions and Protectorates."

**Barbados**

See "British Possessions and Protectorates."

**Bechuanaland**

See "British Possessions and Protectorates."

**Beira**

A license tax of \$50 is levied on the commercial traveler for each visit which does not exceed one month in duration.

**Belgium**

The following are recent regulations covering imports into Belgium and exports from that country.

"All foodstuffs can be imported without license except sugar, cereals for the making of bread, barley, oats, wines, and spirituous liquors. Licenses for these products are issued by the Ministry of Industry, Labor and Revictualling. The same ministry likewise issues import licenses for raw tobacco.

"Clothing and shoes, generally speaking, can be imported without license. Licenses are likewise eliminated for certain raw materials and for a number of manufactured products. Manufactures of cotton goods are not subject to license.

"For the importation of raw tobacco, licenses must be requested by Belgian purchasers through a group, the delegate of which is Mr. Jacobs, 5 rue Vandermaelen, Brussels. Licenses for raw cotton must be requested by the purchasers in Belgium.

"All merchandise subject to import licenses can be stored on arrival in bonded warehouses in Antwerp, pending the obtaining of the licenses."

All exports from Belgium are subject to licenses which are issued by the Ministry of Industry, Labor and Revictualling and by the Ministry of Economic Affairs, on individual requests of exporters.

The treatment accorded to commercial travelers from foreign countries varies according to the reciprocal arrangement between the traveler's country and Belgium. Usually no license fee is charged if the country from which the traveler comes does not require such fees from Belgian travelers, unless by the occupation of a house he becomes ratable as a householder. In all cases, however, travelers must furnish proof of their nationality by means of passports and other documents.

There are special railroad regulations in Belgium for commercial travelers. Sample trunks weighing less than 80 kilograms and less than one-half cubic metre in volume must be carried in the baggage car of a passenger train and must be paid for at the ordinary carriage rate. When weighing over 50 kilograms such trunks must be furnished with two solid handles and broad straps. Trunks exceeding 80 kilograms in weight or one-half cubic metre in volume must be sent separately by goods train and are subject to the ordinary rate. Moreover, in common with other passengers, commercial travelers have a right to take, free of charge, personal baggage which does not weigh more than 25 kilograms.

Belgium has separate arrangements with every country concerning the entry of samples. The arrangement with the United States in this matter may be ascertained from the Departments of State or Commerce.

### **Belgian Congo**

License and a fee are required from all firms doing business in Belgian Congo, which have no establishments in that country on which the ordinary local taxes are payable. The fee is 500 francs if the business includes the purchase or sale of rubber, copal, or ivory, or the sale of goods other than fresh goods on board vessels anchored in the Lower Congo River; and 200 francs if the business of the firm is of any other nature. On payment of the fee a permit is issued to the

traveler authorizing him to do business in any part of the country.

An income tax is levied on travelers who are domiciled in the country or have offices or warehouses therein.

Samples without commercial value are admitted free. A deposit of the amount of duty payable on samples of value is required.

No duty is levied on imported catalogues.

### **Bermuda**

See "British Possessions and Protectorates."

### **Bolivia**

Commercial travelers in Bolivia are obliged to pay a tax in every city they visit. A small duty averaging from 3 to 8 cents per pound is levied on advertising matter carried by travelers for complimentary distribution. The regulations in force and the taxes levied in the principal towns of each department are as follows:

COCHABAMBA. The tax is 1,000 bolivianos per annum.

LA PAZ. The tax is 250 bolivianos per annum.

ORURO. The tax is 250 bolivianos per annum. If the traveler should arrive in July, he must pay a full year's tax and becomes liable to tax again on January 1 of the following year.

POTOSI. The tax is 200 bolivianos per annum.

SANTA CRUZ. An annual tax of 400 to 1,000 bolivianos is levied. The amount assessed varies according to the class in which the traveler is placed by the municipal authorities.

SUCRE. All commercial travelers entering Sucre are required to report to the Intendente Municipal and pay a tax, valid for the year, according to the following schedule:

1st class.....	300 bolivianos
2nd class.....	100 bolivianos
3rd class.....	100 bolivianos
Traveling merchants.....	50 bolivianos
Pedlers .....	20 bolivianos



The Finance Committee of the Municipal Council determines the class to which the traveler or agent belongs.

**TARIJA.** The tax is 200 bolivianos per annum.

**TUPIZA.** The tax is 200 bolivianos per annum.

**UYUNI.** Travelers are supposed to be taxed from 100 to 200 bolivianos for each visit, but these tax regulations are rarely enforced. Usually a sum somewhat less than the above amount is collected, if the traveler reports his arrival to the authorities. Should he fail to do so, however, he is liable for the full tax.

## **Brazil**

There is no federal tax levied, but travelers are taxed in many individual states, while in others they are required to take out a trader's license if acting in such a capacity. A good many municipalities, moreover, require the traveler to take out a hawker's license if he can be shown to be in this class. The regulations in force and the taxes levied in the various states and municipalities are as follows:

**BAHIA (State).** 100 milreis per annum. If the traveler leaves the country and returns the same year, a new license is required.

**MARANHAM (State).** 250 milreis per annum.

(Municipal). 100 milreis per annum.

**MINAS GERAES (State).** 55 milreis per annum. If a trader's license is taken out both state and municipal taxes are levied; if, however, merely a hawker's license is required there is a charge only by the municipality.

(Municipal). Lavras. 300 milreis per annum, if travelers do business with private individuals. Otherwise no tax is levied.

**PARA (State).** 300 milreis per annum. The authorities in this state are very lax in enforcing the tax regulations.

(Municipal). 365 milreis for each visit. A trader's license is necessary if the traveler sells the goods he carries.

**PERNAMBUCO (State).** 600 milreis per annum. Travelers usually avoid this license tax by making business connections with some local merchant.

**RIO DE JANEIRO (State).** No tax is levied. If, however, travelers sell the goods they carry, they must take out a trader's license for which a state or municipal tax of varying amount is charged.

**RIO GRANDE DO SUL (State).** 200 milreis per annum.

(Municipal): Bage, 800 milreis per annum; Pelotas, 200 milreis per annum; Porto Alegre, 100 milreis per annum; Rio Grande, no taxes levied; Sao Borga, 60 milreis per annum; Sao Gabriel, 200 milreis per annum; Uruguayana, 300 milreis per annum.

**SAO PAULO (State).** No tax is levied.

(Municipal): Santos, 500 milreis per annum; Sao Paulo, 1,000 milreis per annum.

Usually power of attorney is necessary for a traveler receiving payment for sales. Such power must be registered before a notary public. A small fee is charged for registration.

The Brazilian Budget Law in effect January 1, 1916, provided for the free admission under bond of samples carried by commercial travelers. Such samples are subject to the payment of a tax of 5 per cent of their official valuation and to other charges, such as port taxes, storage, handling fees, etc.

No rebates to commercial travelers are granted by the railways, except by the Leopoldine Railway, which grants 20 per cent reduction on travelers' samples and fares.

### **British Guiana**

See "British Possessions and Protectorates" just below.

### **British Honduras**

See "British Possessions and Protectorates" just below.

### **British Possessions and Protectorates**

The regulations governing commercial travelers in the following protectorates and possessions of Great Britain are similar and for this reason are given here in group form. The British possessions not included in this group will be found elsewhere in the digest in their proper alphabetical position.

1. Antigua
2. Bahamas

3. Barbados
4. Bechuanaland

- |                              |                            |
|------------------------------|----------------------------|
| 5. Bermuda                   | 22. Mauritius              |
| 6. British Guiana            | 23. Montserrat             |
| 7. British Honduras          | 24. North Borneo           |
| 8. Ceylon                    | 25. Northern Nigeria       |
| 9. Cyprus                    | 26. Nyasaland Protectorate |
| 10. Dominica                 | 27. Rhodesia               |
| 11. East Africa Protectorate | 28. St. Helena             |
| 12. Falkland Islands         | 29. St. Lucia              |
| 13. Federated Malay States   | 30. St. Vincent            |
| 14. Fiji                     | 31. Seychelles             |
| 15. Gambia                   | 32. Sierra Leone           |
| 16. Gibraltar                | 33. Southern Nigeria       |
| 17. Gold Coast               | 34. Straits Settlements    |
| 18. Grenada                  | 35. Sudan, Anglo-Egyptian  |
| 19. Hong Kong                | 36. Trinidad               |
| 20. Jamaica                  | 37. Uganda                 |
| 21. Malta                    | 38. Zanzibar               |

In the above mentioned British possessions and protectorates a license is usually required and a fee is charged if travelers sell samples or goods. Also, resident agents and merchants require a trade license. The fees vary from £1 to £20. In Dominica travelers disposing of goods must obtain a license costing from 15s. to £5, and in British Honduras a fee of £10, 8s., 4d. is charged. Licenses remain in force until December 31. Income taxes are levied on resident agents, the income tax in Dominica being 3½ per cent. Generally, however, only a trade license is required from resident traders.

Samples of value are admitted on deposit of security, which is refunded if the samples are taken out of the country within a specified period varying from 3 months to 1 year.

In St. Lucia and Hong Kong no duties are levied and no deposit is required even though the samples are of commercial value. Alcoholic liquors brought in by commercial travelers are an exception to this rule.

Certain privileges are accorded on some of the railways in respect to reduced fares or freight rates. This is particularly

true in the case of the Cape government railways, the Rhodesia railways south of Bulawayo in the Bechuanaland Protectorate. On these roads travelers regularly employed by a firm, on production of proof, will be furnished with a permit to travel first-class with a second-class ticket. They are also granted the free conveyance of samples of 200 lbs. in weight—twice the amount granted other passengers on the railways of British Guiana.

On the railways of the Federated Malay States, commercial travelers are allowed 400 lbs. of personal luggage free. The allowance to ordinary passengers is about one-third of this amount. On any excess weight commercial travelers pay only half of the ordinary excess baggage rates.

In Southern Nigeria first-class tickets at half the tariff rate for each single journey are issued to representatives of any firm whose railway consignments aggregate in freight charges £2,500 per annum, and a first-class ticket is issued free of charge for the year to the agent or to the head of the firm whose consignments aggregate in freight charges £15,000 or over per annum.

### **Bulgaria**

Commercial travelers in Bulgaria must be provided with a legitimation certificate. This certificate must be issued in the form and manner prescribed by law and according to the agreement between Bulgaria and the country from which the traveler comes.

Licenses are required for all commercial travelers. The license is issued by the ministry of commerce and is delivered to the traveler by the custom house of the first town he enters in Bulgaria. The application for the license must contain a description of the goods to be sold, the name of the firm represented by the traveler, and the name of the person for whom the license is requested. The application must also be accom-

panied by a certificate of identity and a power of attorney from the firm represented.

The fees are determined according to the nature of the business and are as follows:

*Fees for One Year*

- 1st class—150 francs; if more than one firm is represented, 100 francs additional.
- 2nd “ —100 francs; if more than one firm is represented, 75 francs additional.
- 3rd “ —50 francs; if more than one firm is represented, 50 francs additional.

*Fees for Six Months*

- 1st class—100 francs; 50 francs additional if more than one firm is represented.
- 2nd “ —75 francs; 35 francs additional if more than one firm is represented.
- 3rd “ —35 francs; 25 francs additional if more than one firm is represented.

Travelers are strictly forbidden to sell the samples or goods they carry.

**Canada**

There are no special regulations affecting commercial travelers, but those who sell goods or carry on a hawker's trade must take out a pedler's license. They are not subject to income tax, nor are they required to produce any document authorizing them to transact business on behalf of their principal. In some municipalities travelers selling direct to consumers may be required to pay a fee.

In British Columbia no person may act as the representative or agent of a foreign joint-stock company which has not been licensed in the Province of British Columbia. The fees for such licenses are assessed on the nominal capital of the company and vary from \$25, in the case of a company with a capital of

\$10,000, to \$277.50 in the case of a company with a capital of \$500,000. For every \$5,000 of capital in excess of \$500,000 an additional \$25 is charged. If the company will show that the greater part of the capital is invested outside the province the tax may be fixed at \$250.

A company is liable to a fine of \$50 per day and agents and travelers to a penalty of \$20 per day for every day on which they carry on business so long as the company remains unregistered or unlicensed. During such time the company is also unable to sue in the courts of the province.

In the Yukon Territory commercial travelers must secure a license at the cost of \$500, unless their company has an established place of business within the city of Dawson. Licenses expire on the 31st of December succeeding the date of issue.

Samples of commercial value are admitted on the deposit of a sum equal to the duty. This payment is refunded if the samples are re-exported within 12 months from the time of entry. This ruling does not extend to cards, portfolios, paste-board boxes, and other coverings containing samples of cloth, edgings, textile fabrics, buttons, and other articles for use only as samples. These and other articles of no commercial value are admitted free.

### **Ceylon**

See "British Possessions and Protectorates."

### **Chile**

No regulations of any kind exist concerning travelers and consequently no license is required.

Samples, provided they are not whole pieces of stuff or complete sets of merchandise, are admitted free, if dispensed to private warehouses. If designed for general consumption throughout the country, duty must be paid within 6 months

after importation. If the samples are re-exported within 6 months, they are not subject to duty.

A certain amount of advertising matter is admitted free. What this amount shall be in any particular case is wholly at the discretion of the custom house officials. The rate of duty established by law varies according to the nature of the matter from 1 peso to 2 pesos per kilogram.

### **China**

No special regulations affecting travelers exist in China, no fees or license taxes are levied, and the power of attorney is not required to do business.

The Chinese railroads grant no special rate reductions for commercial travelers.

Samples are not liable to duty if imported in reasonable quantities for exhibition and not for sale. Travelers may, nevertheless, sell their samples without having to procure a license.

### **Colombia**

Commercial travelers must pay taxes and local dues, which vary according to the class of operations in which they are engaged. There are no federal taxes, all dues being levied by individual municipalities. The following is the schedule of local dues:

**BARRANQUILLA.** Neither local dues nor taxes exist.

**BOGOTA.** Neither local dues nor taxes exist.

**CALI.** A municipal tax of about \$30 is levied, good for 130 days.

If the traveler remains longer he must pay \$5 per month additional.

**CARTAGENA.** \$10 to \$25 per annum for commercial travelers; \$60 per annum for permanent agents.

**HONDA.** Neither local dues nor taxes exist.

**MANIZALES.** \$10 per month.

**MEDELLIN.** The minimum charge is about \$40 for 4 months. If

the traveler intends to remain longer than 4 months, he should notify the municipal authorities before beginning operations.

Failure to observe these regulations subjects him to a fine.

SANTA MARTA. \$5 per month.

TUMACO. Neither local dues nor taxes exist.

If samples consist of wares which can be put to industrial use, duty is levied on them according to the class to which they belong. This duty, minus 2 per cent per month interest, is refunded if the samples are re-exported. Samples unfit for industrial uses are admitted free. All samples may be sold without the procuring of a license.

Advertising matter is subject to a small duty.

### Corea

No special regulations exist concerning commercial travelers and no tax is levied on their selling activities.

Samples are usually admitted free of duty whether of value or not. If of undue quantity, however, they are regarded as ordinary merchandise and duty is then levied on them. If they are re-exported within 13 months, this duty will be refunded.

### Costa Rica

Costa Rica levies no state taxes and requires the payment of no license fees. In the municipalities of San Jose, Limon, and Puntarenas municipal taxes which vary from 15 to 100 colones are levied. In practice these taxes are not enforced unless a showroom is hired, and even then they are enforced only occasionally.

Some railways grant a rebate of 50 per cent on cases of samples when they accompany a traveler.

Duty must be paid on samples of commercial value, but this payment, less a charge of 5 cents per kilogram, is refunded if the samples leave the country within 90 days. On



samples of jewelry and all manufactured articles of gold or silver no refund duty is granted.

### **Cuba**

All persons engaged in commerce are required to take out a license in each municipal division of the republic. No fee is charged for this license. No other special regulations exist regarding commercial travelers, though it is advisable for them to be provided with passports, power of attorney, and other documents.

There are lengthy regulations concerning the importation of samples. Certain kinds of samples are admitted free, whether of commercial value or not. On other kinds a deposit of duty is required and is refunded, with a deduction of a certain percentage by the custom house, if the samples are re-exported. Duty is levied on advertising matter according to the character of the article advertised.

### **Curacao**

No regulations for commercial travelers exist. Samples other than those of no commercial value are inspected by the customs officials. At the time of this inspection security must be given for the payment of import duties. The security is refunded if the articles are re-exported.

### **Cyprus**

See "British Possessions and Protectorates."

### **Denmark**

The cost of a license for a traveler representing one firm is 160 kroner (about \$45). A supplementary tax of 80 kroner is payable for each additional firm which the traveler represents. When applying for a license, a certificate of identification from the firm represented is necessary. The license

holds good for one year from the date of issue. It must be indorsed by both police and customs authorities in each town the traveler visits.

Travelers are not supposed to sell samples except as part of an order for not less than 40 kroner worth of goods. Duty, returned if re-exportation takes place within 6 months, is payable on samples brought in by travelers. A fee of about \$2 is paid on exportation.

In Danish Iceland and Faroe Islands, commercial travelers must take out a license and pay a fee. For such license, or certificate, a payment must be made varying from 10 to 200 kroner. If the traveler represents more than one firm, an additional fee is levied which varies from 10 to 50 kroner. Travelers domiciled in the country must take out a trading license in addition to the ordinary license.

### **Dominica**

See "British Possessions and Protectorates."

### **Dominican Republic**

Commercial travelers must pay for a license, which costs \$10 annually. There is no tax on advertising matter. Samples not exceeding \$2,000 in value are admitted free under bond, which is remitted if the articles leave the republic within 4 months. This period may be extended. Power of attorney is desirable, but must be legalized at a cost of \$3.

### **Dutch East Indies**

Travelers must report to the chief of the local administration within 3 days after their arrival. Samples other than those of no commercial value are inspected by the customs officials. At the time of this inspection security must be given for the payment of import duties. The security is refunded if the articles are re-exported.

**East Africa Protectorate**

See "British Possessions and Protectorates."

**Ecuador**

A tax of 100 sucres (about \$50) is levied each time the traveler enters the republic. A municipal permit costing 100 sucres is required in a number of cities in addition to the state license.

It is advisable for travelers to carry a certificate of identity, passports, and power of attorney.

Samples of no value are exempt from duty; those of value are admitted free of duty temporarily, if guarantee is furnished that they will be re-exported. Advertising matter is admitted free, but should be marked in such a way as to indicate that it is for complimentary distribution.

The Guayaquil and Quito Railway Company grants to commercial travelers a 25 per cent reduction in rates on baggage shipped over its lines by express.

**Egypt**

No special regulations exist and no license fees of any kind are required from travelers, even though they sell their samples. Samples of value are admitted on payment of the deposit of duty. This deposit is refunded if the samples are re-exported within 12 months.

Commercial catalogues and advertising matter imported into Egypt are dutiable, although in practice this duty is never collected except on a nominal valuation.

**Equatorial Africa**

Travelers are required to pay a tax of about \$50 per month.

**Falkland Islands**

See "British Possessions and Protectorates."

**Federated Malay States**

See "British Possessions and Protectorates."

**Fiji**

See "British Possessions and Protectorates."

**France**

France receives the commercial traveler in a manner corresponding to the treatment accorded French travelers in the homeland of the visitor. If a traveler represents several firms, entirely on a commission basis, he will have to take out a trading license. Those selling the actual goods they carry are liable also to an additional tax which in practice is seldom collected.

All foreigners resident in France are required to register at police headquarters and to take out a certificate for which 2½ francs (about 50 cents) is charged.

Special privileges may be obtained from the railroads on payment of a given sum and by special arrangement which, in normal times, saves 20 to 50 per cent of the usual rate.

Samples of commercial value are admitted on deposit. All duty is refunded if the samples are taken out of the country within a year. A certificate of identity is necessary when such refund is claimed by the traveler.

**Gambia**

See "British Possessions and Protectorates."

**Germany**

Conditions in Germany at this time are so uncertain that it is impossible to say with any definiteness what the regulations will be. Before the war the following conditions and regulations existed:

"Handlungsreisende," or commercial traveler as used in the

German "Codified Trading Regulations," had a wider meaning than in English. It included two classes of travelers:

1. Commercial travelers proper, viz., travelers for commercial houses endeavoring to secure contracts for the sale of goods on the strength of samples, etc.
2. Ambulant traders selling commodities from a stock which they carried with them.

From travelers of the first class the law required a proof of identity or permit and from those of the second class an ambulant certificate, hereinafter called a "certificate."

The regulations concerning permits were briefly as follows: A traveler was required to address an application to the police authorities at the place of his sojourn, this application to be accompanied by a certificate of good conduct for the 3 preceding years. Such certificate might be obtained from any of the municipal authorities of the town from which the traveler came, and was required to be certified by the German consul and to be a statement to the effect that the applicant's reputation was good, that he had not been committed to jail, etc. Only samples and patterns of merchandise regarding which the trip was undertaken could be carried. Travelers were not as a rule permitted to solicit orders from private individuals.

The regulations concerning certificates were as follows: A certificate was required if travelers without orders from the customers to be visited:

1. Offered for sale merchandise which they carried.
2. Called for orders or purchased goods, with a view to selling them, from persons other than merchants or at places other than places of business.

Application for a certificate was made in the same manner as for a permit. A certificate was good only within the district where it was granted. A fee was charged which varied according to the nature of the enterprise. (In Prussia the average

fee rate was 48 marks.) The granting of a certificate was dependent to a great extent upon the discretion of the prefect of police. Certificates might be refused if the applicant was:

1. Under 25 years and had not held a certificate during the previous year.
2. A suspected person.
3. Deaf, mentally unsound, etc.
4. A gipsy.

Samples of no value were admitted free of duty and also certain kinds of samples of value. Duty was required to be paid on all other samples of value unless they were duty-exempt by reason of a commercial treaty between Germany and the country of the traveler.

#### **Gibraltar**

See "British Possessions and Protectorates."

#### **Gold Coast**

See "British Possessions and Protectorates."

#### **Grenada**

See "British Possessions and Protectorates."

#### **Greece**

No formalities or license of any kind are required of the commercial traveler in Greece. Agents resident in Greece are required to take out a trade license.

Samples of value are admitted upon deposit of security for the import duty. This deposit is refunded in case the samples leave the country within 12 months.

#### **Guatemala**

No special regulations regarding commercial travelers exist and no fees or taxes of any kind are required of them. Neither

do travelers who sell samples of goods need any license, unless they sell wines, spirits, or tobacco. In these three cases an ordinary license is required, as in the case of local merchants selling similar commodities.

Samples are liable to duty according to the classification given them in the town to which they go. If they leave the country, the duty is refunded. Samples imported by parcel post are, without exception, admitted free of duty.

Catalogues are liable to the same duties imposed on other printed matter, but the regulations are not as a rule enforced in connection with this class of goods.

It is advisable for travelers to be provided with power of attorney authorizing them to do business for their firms.

The treatment of commercial travelers from the United States is now determined by the treaty of December 20, 1918, between the United States and Guatemala. The provisions of this treaty follow the same general lines as do those of the treaty of October 10, 1918, with Uruguay. The chief feature of these provisions is the replacing of the various separate provincial taxes on commercial travelers by a single uniform tax for the whole country. (See "Uruguay.")

## Haiti

A license and *patente* are required from all travelers; the latter costs 100 and the former 50 gourdes. One gourde (paper) is equivalent to about \$1.

No license is required for commercial travelers from the United States or any fee, except one of \$4 for a passport. The passport must be secured from the Department of Interior in case the traveler wishes to visit the interior of the country.

Foreigners are not allowed to practice hawking in the country.

Samples of value are admitted upon deposit of duty. The deposit is refunded when the samples are re-exported.

**Hawaii**

Travelers engaged in the actual buying and selling of goods or in soliciting orders on a commission basis pay an annual license fee of \$100. The annual fee for the license merely to sell goods is \$25. Special licenses are required for persons selling tobacco, wine, opium, etc.

Import regulations regarding samples are the same as in the United States.

**Honduras**

A municipal license, good for 90 days is required in most cases. The tax is usually about 50 pesos for each visit, but in Puerto Cortez is only 25 pesos. A peso is about 50 cents.

Samples of no value, but weighing more than 25 pounds, are subject to a small duty. Samples of commercial value are admitted on compliance with certain formalities and upon the deposit of duty, which is refunded, with a deduction of a very small fee, if samples are re-exported within 90 days.

There is a duty on advertising matter based on the gross weight of the shipment. This duty in some cases is quite high. In order to make it lower, advertising matter should be carried in a separate trunk.

**Hong Kong**

See "British Possessions and Protectorates."

**Hungary**

The following regulations were in force before the war.

Solicitation of orders by commercial travelers was permitted:

1. From tradesmen who, in the ordinary course of their business, made use of the articles offered.
2. From tradesmen for office and warehouse fittings and



requisites; for instance, business books, shelves, safes, typewriting machines, etc., for the use of the tradesman in his business.

3. From farmers who within the limits of their business carried on some branch of manufacture, such as mill, dairy produce, etc.
4. From any person and for any sort of goods on receipt of written invitation to call in regard to certain articles.
5. From any person for articles specified below:
  - (a) Literary and artistic products.
  - (b) Articles of certified "home" industry.
  - (c) Instruments and scientific apparatus.
  - (d) Sewing machines.
  - (e) Larger agricultural machines.
  - (f) Plant for the transmission of electrical power.

The solicitation of orders by travelers in Hungary was prohibited in all other cases.

Reductions of railway fare were offered to travelers of certain nationalities.

Samples were admitted on deposit of security for their full market value in addition to the custom house duties and the expenses of valuation and registration. The samples were required to be re-exported within a certain time, otherwise the security was forfeited.

## CHAPTER XLII

### COMMERCIAL TRAVELERS (Continued)

#### India

No special regulations exist affecting commercial travelers. Foreigners are prohibited from entering the state of Jammu and Kashmir and the Baghelkhand State without a pass from the political agent or the durbar. In the state of Sirohi all travelers must take a guide for the protection of their lives and property.

No general license is required except for the sale of arms, ammunition, liquors, and opium. Municipalities do not usually require licenses for commercial travelers even though they sell their samples of goods. There are, however, a few exceptions to these general rules. Ordinarily, no certificates or power of attorney from the firms represented are required.

In Calcutta commercial travelers who sell precious stones are obliged to take out a license and pay a fee of 25 rupees.

In the native state of Marwar a license must be obtained in order to sell foreign liquors; in Mauritius, to sell sugar, etc.

In the Madras presidency travelers must pay a profession tax if they exercise their calling within a municipality for a period of 60 days.

In Baroda commercial travelers are required to pay an income tax.

The luggage of commercial travelers is carried by practically all railways in India at half-parcels rates, provided the travelers represent reliable firms. The quantity which may be carried by mail train is limited to 410 lbs. and full rates are charged.

Samples of commercial value whether brought personally by commercial travelers or imported subsequently by them are liable to import duty at the rates specified in the tariff. Deposit or bond is required, but is refunded if the samples are later taken out of the country again. Re-exportation must take place within 12 months if duty is to be refunded.

### **Indo-China**

No regulations for commercial travelers exist.

### **Italy**

No certificates of identity or licenses are required except in the case of travelers from countries which have adopted restrictive measures against Italian commercial travelers.

Samples of no commercial value are admitted free of duty, but the admission of those of commercial value is regulated according to the agreement between Italy and the country from which the traveler comes. Usually security must be deposited when such samples are imported; this payment is refunded in case they leave the country within a period of 12 months. On importing the samples, the traveler must obtain a permit from the Italian authorities giving particulars concerning the samples, the duty to be levied, etc.

### **Jamaica**

See "British Possessions and Protectorates."

### **Japan**

Regulations affecting commercial travelers in Japan show that in some cases it is necessary for them to obtain licenses. It depends largely upon the nature of the goods, as the fee is levied according to the class of goods to be sold. A commercial traveler who carries with him or sells samples of goods must obtain a license and also permission to do business.

Articles temporarily imported as samples are not subject to import duty provided they are re-exported within 6 months and provided security equal to the amount of the duty leviable is furnished at the time of importation.

The details regarding rail transportation may be found among the regulations available at the Department of Commerce.

### **Liberia**

There are usually no state taxes levied in Liberia, but municipal authorities often require a traveler to take out an agent's license costing about \$26.50 per annum. Those travelers who sell samples may be required to take out a wholesale trade license, the cost of which is also about \$26.50 per annum. If the goods are sold retail, the cost of a license is about \$17 per annum.

Municipal licenses are valid only for the town in which they are issued. Travelers proposing to stay a short time may make arrangements for a quarterly license at a proportionate rate.

Samples of no value are not subject to duty. Samples of commercial value are subject to an import duty which may be refunded in case of re-exportation. There are, however, no special regulations in regard to this matter.

It is advisable in all cases for travelers to carry power of attorney from their principals. Certificates from their firms authorizing them to collect debts are also desirable if such work is to form a part of their duties.

### **Madagascar**

Travelers are required to pay a tax of about \$3 per month.

### **Malta**

See "British Possessions and Protectorates."

**Mauritius**

See "British Possessions and Protectorates."

**Mexico**

The regulations pertaining to commercial travelers in Mexico are very numerous, cumbersome, and complicated, so that they fill a good-sized pamphlet. Consequently the subject can be treated here only very briefly. The reason for these complicated regulations is that there are in Mexico 27 states, each of which individually regulates commercial travelers, as do also some of the municipalities. As a result a tax is levied by both the states and the cities. Besides, these taxes are subject to the federal provision which requires that 20 per cent be added to all taxation for the benefit of the federal government. The latter tax is levied in the form of stamps affixed to the receipt for payment of state or municipal licenses, and amounts to 20 per cent of the actual rate of assessment.

Duty is levied on samples according to the class of goods to which they belong. Certain kinds of samples are admitted free. In other cases a deposit of the amount of the duties payable on the goods is required. If the goods are re-exported within the time provided by law such duty is refunded. The period during which re-exportation should take place in order to derive the benefit of a refund is not supposed to exceed 6 months, although it may be extended to 2 years by the Central Customs Administration.

There is a duty on catalogues and on advertisements in the form of pamphlets if they are bound, as they are then classified under Article 602 of the Customs Tariff and the rate of 5 centavos per kilogram gross weight is charged. Catalogues and advertisements, if unbound, are admitted free. Advertisements of all kinds on paper or cardboard, if unframed, pay a duty of 22 centavos per kilogram.

The following table, showing the payments to be made

by commercial travelers in the municipalities of the state of Coahuila, will illustrate the difficulties and complications awaiting the traveler in Mexico.

## STATE OF COAHUILA

NAME OF MUNICIPALITY	AGENTS' TAX LEVIED ON	OBSERVATIONS*
Allende	Commercial travelers.	\$3 to \$5 on each journey.
	Sewing machine agent..	\$3 to \$10 per month.
	Insurance agents.	\$3 to \$5 per month.
General Zepeda	Commercial travelers.	\$5 to \$10 per month.
Gigedo	No agents' tax exists.	
Guerrero	No agents' tax exists.	
Hidalgo	Sewing machine agents.	\$1 per month.
	Commercial travelers.	2% on value of sales.
Jimenez	No agents' tax exists.	
Juarez	Commercial and other travelers.	\$5 on each visit; \$5 to \$100 per month.
Matamoros	Commercial travelers.	\$5 to \$10 per visit.
Monclova	Commercial travelers.	\$2 to \$10 per month.
Muzquiz	Commercial travelers.	\$8 to \$25 on each transaction.
Nadadores	Commercial travelers.	\$1 to \$3 per day.
Nava	Commercial travelers.	\$3 per month.
Parras	Insurance agents and clothing club agents.	\$5 to \$10 per month.
Porfirio Diaz	Native and foreign commercial travelers.	\$5 to \$10 for each journey.

\$ represents Mexican money.

# COMMERCIAL TRAVELERS

371

## STATE OF COAHUILA (Continued)

NAME OF MUNICIPALITY	AGENTS' TAX LEVIED ON	OBSERVATIONS*
Porfirio Diaz (Cont.)	Book and paper agents. Agents established in the town. Insurance agents.  Sewing machine agents.	\$3 per month. \$10 per month. \$5 to \$10 per journey. \$10 per month.
Progreso	No agents' tax exists.	
Ramos Arizpe	Commercial travelers.	\$1 to \$5 per diem.
Sabinas	Insurance agents.  Commercial travelers.	\$3 to \$5 per month. \$4 to \$5 per month.
Sacramento	Commercial travelers.	1% on sales.
Saltillo	Travelers who bring their goods with them and effect sales in jewelry, textiles, or other unspecified wares.  Agents for india rubber stamps or office requisites. Sewing machine agents.  Insurance agents. Lottery agents.	\$50 to \$500 per month. \$2 to \$5 per month. \$30 to \$40 per month. \$10 per month. \$2 to \$5 per month.
San Buenaventura	Sewing machine agents. Commercial travelers. Insurance agents.	\$1 to \$3 per day. \$2 to \$5 per day. \$2 per day.
San Pedro	Commercial travelers.	From \$2 to \$20 and from \$20 to \$100 per month on sale.
Sierra Mojada	No agents' tax exists.	

\* represents Mexican money.

## STATE OF COAHUILA (Continued)

NAME OF MUNICIPALITY	AGENTS' TAX LEVIED ON	OBSERVATIONS*
Torreon	Commercial travelers.	\$5 to \$50 per month according to the article for sale.
Viesca	Machinery agents, commercial travelers, and insurance agents.	From \$3 upwards.
Zaragoza	Commercial travelers.	\$2 to \$10 per visit.

\* represents Mexican money.

Taxes in the other states of Mexico vary from \$5 to \$100 per month (Mexican money). It is understood, of course, that as a commercial traveler goes from one state into another, he has to pay a tax in each state in which he transacts business. Otherwise he incurs a fine which ranges from \$25 to \$100 for each violation. A Mexican dollar is worth about 50 cents in United States money.

As the conditions and laws are at present uncertain and questionable in Mexico, it is advisable that current information be sought from the Department of Commerce.

**Montenegro**

No special regulations existed before the war regarding commercial travelers. They were required, however, to produce power of attorney or certificates showing that they were authorized to conduct business on their employers' behalf.

Samples of commercial value were dutiable. The duty was refunded at any time they were re-exported. At the present time the status of regulations in Montenegro is uncertain.

**Montserrat**

See "British Possessions and Protectorates."



**Morocco**

No regulations of any kind exist concerning commercial travelers and no restrictions are imposed upon them.

All samples are admitted free of duty, provided they are re-exported within 6 months. Re-exportation must take place through the custom house at which the entry of the goods was effected.

**Netherlands**

Strictly speaking, no licenses are required. The only tax to which travelers are liable, provided they are not domiciled in the country, is on their professional income. The amount of such tax is fixed at 15 guilders a year (about \$6). Travelers are compelled to send in their name, their domicile, and a statement of the nature of their business to the municipal authorities, who then issue to them free of charge a certificate permitting them to do business. Unless this certificate is produced on the demand of the officials who are charged with levying a tax on professional incomes, travelers are liable to a penalty of 25 guilders (about \$10.50).

Samples of no commercial value are admitted free of duty. All samples of value must be presented for marking and identification and their admission is regulated by the customs officials. After the value of the samples has been declared, a transit passport is used. Security for payment of duty must be given at this time. This security is refunded when the goods are re-exported. Gold and silver articles imported as samples are subject to special regulations.

**Newfoundland**

No special regulations exist concerning commercial travelers, and no licenses are required. Railroads grant no special privileges. Samples of commercial value are subject to duty, which is refunded if articles are re-exported within 6 months.

**New Zealand**

Commercial travelers in New Zealand who sell their samples or make sales of goods must procure annual licenses. They are also required, on their arrival, to make a deposit of £10 (about \$50) as a guarantee that the income tax on business done in the colony will be paid. This deposit is held until the traveler furnishes a report of the total business transacted during his visit. When the adjustment of taxes is made a refund is granted if the deposit amounts to more than the tax. Principals of firms who travel to take orders or to visit customers are subject to the same provisions as are other commercial travelers.

A deposit is required on all samples of value entering the country but is refunded if the samples are re-exported within 6 months. No certificates or power of attorney are necessary unless the traveler is brought in contact with legal proceedings. It is advisable, nevertheless, to carry such documents.

In New Zealand, railways allow commercial travelers to carry 112 lbs. of luggage and samples free of charge. The excess over that amount up to 10 cwt. is charged at the rate of 6d. for every 56 lbs. or fraction thereof for every 50 miles or fraction thereof. This is half the rate charged the public.

**Nicaragua**

No special regulations concerning commercial travelers exist and travelers are permitted to sell without license the samples and goods they carry.

Only samples of value are liable to duty. This duty is refunded if the traveler at the time of importation makes a declaration of his intention to re-export the articles. They must be re-exported from the port of entry within 2 months if advantage of this privilege is to be taken. Arrangements can, however, be made for the prolongation of this period.

Circulars, cards, pamphlets, and catalogues are admitted

free of duty, but calendars, even when printed for complimentary distribution, are dutiable at a rate of a little over 12 cents a pound.

### **North Borneo**

See "British Possessions and Protectorates."

### **Northern Nigeria**

See "British Possessions and Protectorates."

### **Norway**

A trading license is required and must be obtained immediately upon the arrival of the traveler in Norway. The charge for this license, which is good for only 1 month, is 100 kroner (about \$27). The license may be obtained from the nearest police authority.

Commercial travelers visiting customers who are local agents must also take out a trading license. A traveler wishing to do business must, on arriving in a new town, submit his license for certification to the director of police. For this certification no charge is made.

It is illegal for a foreign traveler to offer goods for sale to private customers in Norway. He may, however, sell his samples direct from the ship or carriage in which they are imported, but such sales may be made only to Norwegian merchants or tradespeople for retail trade, or to those desiring the implements or raw materials for use in their business.

On certain conditions drawback is granted of duty paid on samples of commercial value, if they are re-exported in the same condition as imported, and if notice has been given of their importation. Samples may be re-exported from any port. No regulations exist as to the time in which re-exporting must take place.

There is a duty on all catalogues of 25 öre per kilogram

(about \$.067), but there are no customs regulations specially affecting catalogues brought in by commercial travelers.

### **Nyasaland Protectorate**

See "British Possessions and Protectorates."

### **Panama**

Upon payment of a municipal tax of \$10 per month, travelers are permitted to take orders with or without samples. The license must be renewed each month if the traveler continues business. A separate license is required for each municipal district visited for the purpose of taking new orders, but no charge is made if travelers visit only their former customers or come only to collect debts.

Samples of value must be declared to the Treasury Office on their arrival at the port of debarkation. A landing permit will then be issued. Ten per cent of the invoice value must be deposited on all such samples, and it is desirable that the bond should be certified by the consul for payment in the country from which the traveler comes. This bond is returned on the presentation of a custom house certificate which states that none of the samples have been sold by the salesman during his stay in the republic.

### **Panama Canal Zone**

There are no restrictions placed upon the activities of commercial travelers in the Canal Zone provided they merely take orders from samples, but if they desire to sell the samples they must obtain a pedler's license, costing \$2 for each month or part of a month during which the goods are offered for sale.

### **Paraguay**

All travelers are required to take out a license before they may sell goods, the cost varying according to the importance

of the firm, which is decided by a board of local merchants. The following are the fees which must be paid at Asuncion, Villa Rica, Encarnacion, Concepcion, and Villa del Pilar:

1st class—	\$5,500	paper,	per	half-year	(about \$341 American money)
2nd	"	4,000	"	"	"
3rd	"	2,500	"	"	"
4th	"	1,800	"	"	"
5th	"	1,200	"	"	"

Principals and commercial travelers of firms represented by an agent or business house of Paraguay may carry on their business without taking out a license. The license fees are usually avoided by travelers by forming a connection with a local agent who has an importer's license. This local agent either accompanies the traveler on his trips through Paraguay or sends an employee to do so. Such an arrangement may be made with almost any local firm licensed as an importer. For this service the local firm usually receives a small percentage of the profit on the sales made.

Samples of commercial value are admitted on a deposit which is refunded if re-exportation takes place within 6 months. There is no duty on advertising matter.

### Persia

There are no regulations concerning travelers and consequently no license is required nor is any tax levied. On the other hand a passport properly authorized by the official representative of the Persian government in the country from which the traveler comes is absolutely necessary. Samples of piece goods of not more than 30 centimetres in length are admitted free. The importation of firearms is prohibited.

### Peru

There are no special regulations affecting commercial travelers. The admission of travelers' samples is governed by

Foreigners who intend to remain more than 8 days **must** procure permits from the prefect of the district within **24 hours** after arriving in the country.

### **Russia**

Owing to unsettled conditions at this writing, there is no certainty regarding the regulations for commercial travelers in Russia. Previous to the revolution, commercial travelers arriving in Russia had to obtain a personal license at the cost of about \$26 and a trading license for the firms they represented at a further cost of about \$50. In addition, provincial duties at the rate of 10 and 15 per cent were charged and town duties of the same amount, varying according to locality. A great many formalities were required before one could obtain a license to trade. Further information may be obtained from the Department of Commerce.

### **St. Helena**

See "British Possessions and Protectorates."

### **St. Lucia**

See "British Possessions and Protectorates."

### **St. Vincent**

See "British Possessions and Protectorates."

### **Salvador**

No special regulations exist regarding travelers who merely canvass for orders. Those who carry samples for sale to wholesale merchants pay a tax when entering the republic of 100 pesos (about \$40), if their stay is not to exceed 2 months. For every month over this period they will be charged about \$10 extra, the amount being collected by the administrator of customs at the time of their departure.

Municipalities levy also a local tax on commercial travelers. This tax in San Salvador, for instance, is 50 pesos, but an additional tax of \$20 is levied on all representatives of foreign houses. Other municipalities levy taxes, valid for 1 year, of 10 pesos or less.

It is advisable in all cases for the traveler to carry letters from the firms for which he is doing business.

All samples, whether of commercial value or not, are liable to duty. If the goods are intended for re-exportation the duties may be deposited with a view to their return when the traveler leaves the country.

Advertising matter, including chromos and almanacs, is dutiable at about \$1.50 per 100 lbs.

### **Santo Domingo**

There are no regulations concerning travelers and no formality need be complied with except, perhaps, that which makes commercial travelers who dispose of their goods liable to a tax of about \$53 in each center in which they do business, and to a tax of about \$10 in each locality in which a sale is made if they dispose of samples. This law, however, is rarely, if ever, enforced.

Samples to a value not exceeding \$2,000, introduced by travelers for use in their business, may be admitted temporarily free of duty provided they do not remain in the country more than 4 months and provided the importer gives satisfactory security.

### **Seychelles**

See "British Possessions and Protectorates."

### **Siam**

No special regulations exist affecting commercial travelers, and no duties are levied on samples except on those of commer-

cial value. Such samples are dutiable as ordinary goods. The duty is refunded if re-exportation takes place within 6 months. A list of the samples must be given to the custom house.

### **Sierra Leone**

See "British Possessions and Protectorates."

### **Southern Nigeria**

See "British Possessions and Protectorates."

### **Spain**

The treatment accorded travelers from foreign countries is regulated in Spain partly by the Spanish Industrial Contributions Law of 1896 and partly by the Hispano-Swiss Commercial Treaty of 1906 and other commercial treaties.

Travelers who possess no fixed residence in Spain, who neither sell their samples nor take orders from private individuals, and who confine themselves to taking orders from commercial houses are entirely exempt from taxation.

Those with fixed residence, such as managers of branch houses, and those who merely sell from samples or catalogues, have to pay a tax of from 164 to 300 pesetas. The tax varies according to the city in which the business is transacted. Travelers who sell the samples brought with them or who take orders by means of those samples from private individuals are subject to a tax of 2,000 pesetas.

There are special regulations concerning the sale of jewelry.

According to the Finance Act passed in December, 1910, heavy additional taxes were established. The schedule of these taxes may be secured from the Spanish consulate or from the United States Department of Commerce.

Samples of commercial value are admitted free on declaration of the maximum period during which they are to remain in the country.



A document of identification is necessary for all commercial travelers. It may be said in general that the Spanish regulations are very complicated, so that it is advisable for the merchant contemplating trade activities in this field to obtain detailed information from the Spanish consulate or embassy in this country.

### **Straits Settlements**

See "British Possessions and Protectorates."

### **Sudan, Anglo-Egyptian**

See "British Possessions and Protectorates."

### **Surinam**

No license is required except for those travelers dealing in spirits. Such dealers must pay the same tax that is levied on the local traders in such articles. Samples other than those of no commercial value are inspected by the customs officials. At the time of this inspection security must be given for the payment of import duties. The security is refunded if the articles are re-exported.

### **Sweden**

All commercial travelers must obtain a license, the cost of which is 100 kronor (about \$27). This license is good for 30 days only and an additional 50 kronor (about \$13.40) is charged for every 15 days over the first 30 days. This license entitles the traveler to sell goods in any part of the country. He may not, however, sell any of his samples.

The principal of a firm, traveling to take orders or to visit his customers, is required to take out a license in the same way as any other commercial traveler.

Samples of value are liable to the ordinary rates of duty. The duty paid may be recovered, however, if the samples are

re-exported within 6 months. This period may be extended by special arrangement with the authorities for 3 additional months.

It is well for a traveler to carry documents while traveling in Sweden.

### Switzerland

A license called "carte de legitimation" must be obtained by commercial travelers before they are permitted to do business in Switzerland. This license is issued free of charge and applies only to the dealings of commercial travelers with firms. In case travelers deal with private individuals they are required to obtain another license, good for 6 months, for which a charge of 100 francs (about \$20) is made. The cost of an annual license is 150 francs. To obtain a license a traveler must produce a certificate of identity issued by a chamber of commerce or other competent authority, stating that the firm for which he is acting is authorized to do business in his own country.

There are no other taxes. Sometimes permission can be obtained to carry merchandise for sale as distinct from samples. Application for such permission should be made to the government of the canton which the traveler proposes to visit. He must, however, first obtain federal assent from the Department of Commerce at Berne.

As regards customs duties, different countries are differently treated according to the decisions of the Franco-Swiss Convention of October 26, 1906. The status of the United States in this regard may be ascertained from the Department of Commerce. As a general rule, however, it may be said that samples of commercial value are admitted on deposit of security as in many other countries, and that this deposit is refunded in case the samples are taken out of the country within 1 year.

**Trinidad**

See "British Possessions and Protectorates."

**Tunis**

No regulations exist affecting commercial travelers. A firm proposing to do business with a traveler might, nevertheless, require some evidence of authority from him proving that he really represents the firm whose emissary he claims to be.

A deposit of duty must be made on samples of retail value. This deposit is refunded if the samples are re-exported within 6 months.

**Turkey**

The latest regulations concerning trade relations between this country and Turkey can best be obtained from the Departments of State and Commerce.

Before the war no regulations existed affecting commercial travelers. No special licenses were required even though the traveler sold the samples he carried. He was invariably obliged, however, to carry passports duly registered by the Turkish consul.

Samples of value were admitted upon a cash deposit of the customs duty or upon the deposit of a bond. If the samples were re-exported within 6 months, the customs office at the port of exportation refunded the whole amount deposited, provided the traveler presented the receipt furnished him at the time of importation as well as a copy of the declaration made by him at that time. These regulations varied according to the commercial treaty between Turkey and the homeland of the traveler.

**Uganda**

See "British Possessions and Protectorates."

**Union of South Africa**

Generally speaking, a license is required. In Cape Colony a license costs £50 per annum or £25 per half-year, if but one firm is represented. If more than one firm is represented, £5 or £2 10s. is charged for every additional firm up to a maximum charge of £100 or £50 respectively. Half-yearly licenses can be taken out only after June 30 and all licenses expire on December 31. The same rule applies to agents and representatives of foreign firms.

Under ordinary circumstances duty is levied on all samples of value imported by travelers. If re-exportation takes place within the year the duty is refunded. Travelers wishing to remove their samples from one colony to another within the union must obtain a permit from the customs authorities.

In Natal there is a stamp tax amounting to £10 per year. All licenses expire December 31, but if taken after June 30 only £6 is charged. One license is sufficient for the traveler regardless of the number of firms which he represents. Principals of firms who travel only to visit customers are not required to take out a license. Travelers are subject to an income tax on all income earned in Natal.

In Orange Free State £5 is charged for a license which is valid for only 3 months. The license to sell liquor costs £20 for 3 months. All licenses are personal. Travelers selling samples require in addition a general dealer's license or a hawker's license, according to whether the goods are sold at the premises of the customer or of the agent. Principals visiting customers do not need a license. No income tax is levied on commercial travelers in Orange Free State.

In Transvaal all commercial travelers must take out a license at a cost of £10 yearly or £6 half-yearly; all licenses expire December 31. No income tax is levied in Transvaal. The principal of a firm taking orders must take out a license as in the case of the ordinary traveler.

On the lines of the South African government railways commercial travelers are allowed to carry double the weight of free luggage permitted in the case of ordinary passengers, and are also allowed to carry an excess weight up to a total of 1,500 lbs. at half-parcel rates. Concession orders signed by a district transportation officer must be produced in order to take advantage of these privileges. The luggage must consist of personal luggage or samples intended solely for display and not for sale.

On the Natal government railways commercial travelers, on the production of credentials, are allowed double the weight of free luggage granted to ordinary passengers and excess weights are charged at half-parcel rates. Their luggage must consist of personal luggage or samples intended solely for display and not for selling purposes. Such luggage may be booked through to ultimate destination, but must accompany the passenger.

Resident agents of companies not domiciled in Natal are required to take out a license bearing a stamp value of £5. A joint-stock company must take out an annual license bearing stamps of the value of £1 for every £1,000 or fraction of £1,000 of paid-up capital.

In Orange Free State also railroads grant certain special facilities to commercial travelers. Full information on this subject may be obtained from the Commercial Intelligence Branch of the Board of Trade, London, England.

### **United Kingdom of Great Britain and Ireland**

No special taxes are levied nor is a license required by travelers unless they solicit or take orders for certain specified goods. In such cases they must take out a license, unless their principals abroad are duly licensed in the United Kingdom.

Samples and patterns of commercial value brought in by commercial travelers must be declared at the custom house on

entry and must be marked for the purpose of identification. Also the duty leviable must be deposited or security given. The deposit is refunded if re-exportation occurs within 12 months.

By virtue of the arrangement between the British and the United States governments the following facilities are accorded by the British customs for the clearance of samples of commercial travelers from America. On the production of a list or declaration officially attested by the proper authority in the country of exportation and containing a description of the samples brought by the traveler, examination of the samples by customs officers may be limited to ascertaining that they are fully enumerated on the list produced. Further, should the samples bear the marks, stamps, or seals of the country of exportation, no additional marks or seals for purposes of identification will, as a rule, be affixed by customs officers in the United Kingdom.

### **United States**

No regulations or taxes affecting foreign travelers exist. There are, on the other hand, many formalities and customs regulations to be complied with before the entry of goods and samples is permitted. A copy of these regulations may be obtained from the custom house.

### **Uruguay**

Travelers must obtain a license costing \$100 (about \$105 in American money). A license is good for one year, but if it is taken out at any time after January 1, it is good only to the end of December. Persons desirous of obtaining a license should apply in writing to the chief of police of Montevideo on a paper bearing a 50-centavo stamp. The license tax in the Department of Montevideo is 200 pesos (about \$206); in the other departments of Uruguay it is 100 pesos (about \$103.50). A general license for the entire country may be

taken out for 300 pesos (about \$310). Travelers must register, the cost of registration being 12 pesos or \$12.50.

The regulations for commercial travelers from the United States to Uruguay are determined by the treaty of October 10, 1918. By the terms of this treaty, commercial travelers from the United States may obtain, upon the payment of a single fee, a license which entitles them to do business in any part of the country. In order to obtain this license the traveler must present a certificate of good character viséed by the consul of Uruguay in the United States.

Travelers may sell their samples without obtaining a special license as an importer. Samples without commercial value are admitted free of duty and samples of value are granted temporary free admission under bond for their re-exportation within 6 months.

### Venezuela

There are no special regulations concerning commercial travelers. A license is required only in case the traveler sells the samples or goods he carries. The cost of a license varies in different towns, but it is not in any case exorbitant; indeed, the license seldom is really necessary.

All persons entering Venezuela are required to produce a certificate of vaccination legalized by the Venezuelan government. Samples over 25 kilograms in weight are liable to duty at the rate of a bolivar per kilogram.

Catalogues are admitted free of duty. Pamphlets and advertising matter in general, including calendars, are dutiable at \$1.37 per 100 lbs. gross weight. Lithographed advertising or printed designs are dutiable at \$17.13 per 100 lbs. gross weight.

### Zanzibar

See "British Possessions and Protectorates."

## CHAPTER XLIII

### CONSULAR AND SHIPPING REQUIREMENTS IN WORLD TRADE

Each country of the world regulates the entry of foreign merchandise through its ports by means of tariff laws, custom house requirements, and consular formalities.

The regulations in some countries are comparatively simple, but in others the requirements are quite complicated. The summary which follows has been compiled with great care, but owing to the unsettled conditions prevailing at present throughout the world, it must be recognized that a number of these requirements are subject to change.

#### **Africa**

On the East Coast no consular documents of any kind are required, but in the Portuguese possessions bills of lading must show the gross and net weight of the shipment, the country in which it originated, and its value. French possessions frequently require that a certificate of origin be procured and that the bills of lading be signed by the shipper or his agent.

On the North Coast no consular documents of any kind are required. In the Union of South Africa a certificate must accompany all shipments and certain conditions for invoicing goods must be complied with.

On the West Coast of Africa no consular documents are required except for Liberia. In that country it is required that three copies of the shipper's invoice be secured from the consul.



**Arabia**

No consular documents are necessary for shipments to Aden and to Bahrein, but the rest of Arabia is governed by the same regulations as Turkey.

**Argentina**

In Argentina the consul's certification, for which there is a charge of \$2, is required on the bills of lading (three copies) signed by the steamship company. No consular invoice is required. Three copies of the certificate of origin must be filled out and attached to these bills of lading. Shipments may be made direct or "to order." Health certificates are required for all shipments of animal products, canned goods, or potatoes.

Parcel receipts must be certified. Regulations pertaining to the shipment of food products are quite lengthy and the shipper of such products will do well to obtain the full text from the consulate.

Packages for shipment should be marked with stencil or brush and should bear the name of the steamer by which they are shipped; the shipping mark and number should appear on two adjacent sides. Merchandise of value should be shipped in clinched cases, so that in case the clinches are broken and shortages occur, the responsibility can readily be placed.

**Australia**

No consular documents of any kind are required, but certain strict regulations exist concerning imports under the so-called "Trade Descriptions Act of 1905." The merchant exporting goods into Australia should obtain a copy of the act and familiarize himself fully with its requirements. It may be said in a general way that under this act the description of goods must be particularly accurate, as all merchandise bearing false or exaggerated description is barred from the coun-

try. The act was aimed primarily at the importers of patent medicines and food products; consequently, the manufacturer of these lines should carefully study all its provisions before venturing to make a shipment.

### **Austria**

Before the war no consular documents of any kind were required. United States inspection certificates were necessary, however, on all shipments of meat products.

### **Belgium**

No consular regulations or government restrictions of any kind are in force in Belgium.

### **Bolivia**

Very extensive and intricate regulations exist concerning packing, marking, weighing, and shipping. It will be advisable for the exporter to obtain detailed rulings from the consulate, as the regulations change frequently and vary according to the route over which the shipment is made.

The consular fee for certifying an invoice for goods less than \$200 in value is \$3; more than \$200 in value, 2 per cent. Four copies of the consular invoice are necessary for shipments via Chile, Argentina, or Brazil; five copies for shipments via Peru. Consular invoices must be in Spanish and must be accompanied by bills of lading, commercial invoices, and other documents indicating the market value of the shipment. Name of consignee at both points of transshipment and destination must be given, as well as the custom house destination.

### **Brazil**

A consular invoice is required and must be in quadruplicate form, the consul retaining three copies. It should be

prepared in Portuguese; if it is in English, a charge for translation will be made. No consular invoice is required on shipments the total value of which, including freight and expenses, is less than \$48.88, but such consignments must be shipped on parcel receipt. Duty is payable on weight; in some cases on legal net weight, in some on gross weight, and in some on the actual net weight. The laws of Brazil prohibit the sale of goods bearing a false label as to their origin. The consular fee is \$2.20, \$1.38 of which is collected by the steamship company.

The exporter must sign an affidavit or declaration of contents and value for each shipment. The total declared value should include freight and shipping expenses.

### Canada

No consular regulations of any kind exist. The "Official Circular to Exporters," issued by the Canadian customs authorities gives in detail the various formalities necessary in importing goods into Canada. The regulations concerning medicines are particularly strict. Certified invoices in duplicate are required for customs entry, but they may be mailed to the consignee and need not accompany the shipment. The consignee's full name and address, the marks, and number of packages in the shipment must be given on the way-bills.

### Chile

In shipping to Chile, four copies of consular invoices, written in Spanish, are required except in the case of parcel post shipments or samples. Bills of lading must be furnished and must be certified to by the consul, who keeps one copy. The bill of lading must show both gross and net weight in kilograms. Consul's fees average about  $\frac{3}{4}$  per cent of the value of the shipment, while an additional charge of 75 cents is made for certification of the bill of lading.

In marking packages a stencil must be used, as it is not permissible to mark with a brush. Each package must bear a shipping number, agreeing with the number stated in the consular invoice and in other shipping documents. The weight in kilograms should be marked on packages.

No erasures are permitted on invoices. If an error is made a separate letter of correction must be written in Spanish and presented to the consul in triplicate. Shipments "to order" are permissible.

### **China**

Except for Korea, no consular documents of any sort are required. In importing into Korea the manufacturer's invoice should be signed by the manufacturer or the seller of the goods. Importation into any part of China of firearms or ammunition can be made only by permission of the government.

### **Colombia**

In Colombia, as in other South and Central American countries, consular and shipping regulations are extensive; hence it is advisable to obtain a copy of regulations from the consulate. These regulations are especially complicated concerning the importation of meats, as goods of this kind, should antiseptics have been used for their preservation, may not be imported at all.

Five copies of a consular invoice in Spanish are required; four of these must be presented to the consul the day before the vessel sails. Each invoice must show name of shipper, consignee, owner, name of vessel, mark and number, contents and gross weight of each package, as well as value per package and total f.o.b. value of shipment; also freight, insurance, and commission to port of entry. Consul's fees range from 1 to 3 per cent of value.

Shipments "to order" are not permitted. Goods destined for the interior of the country must be consigned to an agent at the port of entry.

### **Cuba**

Consular invoices are required in Cuba; five copies for Havana and four for other ports. They must be written in Spanish and certified. Bills of lading must also be certified by the consul. The consul's fee is about 1 per cent of the value of the shipment, while an additional charge of \$1 is made for certification of the bill of lading. There are special regulations concerning the importation of firearms and patent medicines. Shipments "to order" are accepted.

### **Denmark**

No consular formalities are required by Danish authorities and no government regulations exist as to weights, marks, etc. The laws do, however, prohibit the importation and sale of any goods bearing a false indication as to the country of origin.

### **Ecuador**

Ecuador has very strict entry regulations and complicated consular requirements for imports. Seven copies of consular invoices in Spanish are required. The consul keeps four copies, the steamship company one, the shipper one, and the remaining one is sent to the consignee. Invoices must be presented to the consul not later than 4 P.M. on the day of the vessel's departure.

There are special regulations concerning the marking and weighing of packages, one of which is that a separate invoice is required for each mark. Packages should be marked with stencil and should show gross weight in kilograms. Shipments "to order" are permitted. Consul's fees for shipments

are: up to \$50 in value, \$1; worth more than \$50, 3 per cent of their value. A set of six blanks costs 50 cents, while a certificate for lists of small shipments costs 12½ cents.

### **Egypt**

In making shipments to Egypt, the consignee must file a declaration as to weight, number, contents of packages, etc. Sometimes the original invoice of the exporter is demanded at the custom house. The British consul should be consulted for detailed information.

### **France**

A certificate of origin and one consular invoice are required in most cases in shipping to France. On shipments of meat and food products from this country a United States inspection certificate is required. The consular invoice is issued at a charge of \$2.50; a visé of certificate of origin at \$2.20. There are many other formalities to be complied with in all cases of shipment of goods to France, especially in connection with shipments of medicines and tobacco.

### **Germany**

Before the war, there were no consular requirements or government restrictions of any kind regarding shipments to Germany. The laws of Germany forbade placing on sale the goods of those concerns by whom trade-marks have been wrongfully appropriated. The United States certificate of inspection was required for shipments of meat.

### **Great Britain**

No consular regulations exist in Great Britain. There are lengthy regulations concerning the importation of goods where the trade-mark has been registered in another country. The United States certificate is required for shipments of meat.

**Greece**

No regulations of any kind exist in Greece. The United States certificate of inspection is required on all meat shipments from this country. There are no government restrictions as to marks, weights, etc.

**Guatemala**

The regulations in Guatemala are similar to those of other Latin-American countries. Five consular invoices, prepared in Spanish, are necessary. Certain regulations exist as to the manner in which the declarations for the invoices should be made. The consular fee is 2 per cent of the value of the shipment; \$1 is charged for certification of the bill of lading. The name of shipper and consignee, place of origin and destination, name of vessel, mark, number, gross weight of contents and character of each package, total value of invoice, and details of packages must be stated in the invoice. Packages may be marked with a stencil or brush. Weights need not appear on the package. Packages for different ports cannot be put on the same invoice. Special permits are required for arms, ammunition, and so on. Shipments "to order" are permitted.

**Haiti**

For Haiti, consular invoices are necessary, while five signed copies of the bills of lading are required at the consulate for certification. Invoices may be prepared either in English or French. The consular fee is \$1. Packages may be marked with stencil or brush, and shipments "to order" are permitted.

**Holland**

No consular requirements or government restrictions of any kind exist in Holland.

**Honduras**

For Honduras, four consular invoices, prepared in Spanish, are required for each different mark. The consul's fee ranges from \$1 upward according to the value of the shipment. A commercial invoice, certified to by the consul, is also required. The importation of intoxicating liquors is prohibited. A special permit is necessary for the importation of firearms.

**Italy**

In Italy a certificate of origin is usually required. A charge of \$4.40 is made for visé of the certification. Special regulations exist in regard to some articles, such as tobacco, leather, salt, etc. Gross and net weight should be stated in the bill of lading on shipments of tobacco, while all bills of lading must show the name of the consignee.

**Japan**

A certificate of origin, which must be viséd by the consul of Japan, is required only on shipments of certain kinds of goods. A charge of \$2 is made for visé of this certificate of origin. Firearms, salt, and tobacco cannot be shipped to Japan.

**Mexico**

In Mexico consular invoices must be sworn to before a notary and presented in quadruplicate form. They may be prepared in either English or Spanish. A set of four consular blanks costs 15 cents. The consul's fee is 3 per cent of the value of the shipment. On the date of shipment, invoices should be forwarded by registered mail to the collector of customs at the port of entry and also to the department of customs; postmasters' receipts to go to the consignee. Special instructions as to shipping, packing, and marking must be followed. Packages may be marked with stencil or brush.



**Nicaragua**

Six copies of consular invoices, prepared in Spanish, are necessary in Nicaragua. Bills of lading prepared in Spanish must be presented to the consul for certification, and the fee of \$3 must be paid by the shipper. A commercial invoice must also be presented. Consular blanks in sets of six cost 25 cents. The consular regulations are very lengthy. Special instructions as to packing and shipping should be carefully followed. In case of raw materials, a certificate of origin is required.

**Norway**

No consular or shipping requirements or restrictions of any kind exist in Norway.

**Panama**

Six consular invoices in Spanish are required in Panama; also four copies of the bill of lading certified by the consul. The consul's fee must be paid by the consignee at the port of entry. The shipment may not be consigned "to order" or "care of." Only the official form of consular invoice may be used. If the material is for transshipment, notice of that fact must be given. Panama Canal Commission goods are exempt from all regulations.

**Paraguay**

Consular invoices from the point of shipment are not required by the laws of Paraguay, but for goods going via Montevideo, Uruguay requires invoices and bills of lading certified by a consul of Paraguay at the point of shipment. If goods are shipped via Buenos Aires, bills of lading must be viséed by the consul of Argentina. The consul's fee is \$2 for the certificate of origin, but there is no charge for the viséing.

**Persia**

No consular documents of any kind are required, and no government regulations as to marks, weights, etc., exist in Persia. A shipping permit must be obtained before delivery is made at the steamship's dock. No parcel receipts are issued.

**Peru**

In Peru consular invoices must be prepared in quadruplicate and must be in Spanish. Certified bills of lading are also required. Regulations exist concerning the manner of marking packages and preparing goods for shipment, which must be strictly followed. Marks may be in stencil or brush. Goods may be consigned "to order." The consul's fee is 2 per cent of the value of the shipment.

**Portugal**

For Portugal the consular invoice should be in triplicate and may be prepared in English or Portuguese. There are special regulations concerning shipments of tobacco and patent medicines. A certificate of origin in many cases is necessary. Usually a different number must be marked on each package in one shipment and these numbers must agree with the numbers in the consular invoices. The consul's fee varies from \$2.20 to \$2.50.

**Roumania and the Balkan States**

There are no consular requirements or restrictions of any kind for the Balkan States, except for Serbia. (See page 401 for regulations for Serbia.)

**Russia**

No consular requirements existed in Russia before the revolution but there were important formalities to be com-

plied with in making shipments. It is advisable to secure a complete set of regulations from the consulate or from the American-Russian Chamber of Commerce before making a shipment to Russia.

### **Salvador**

Consular invoices in quadruplicate must be prepared in Spanish and bills of lading must be certified at the consulate. The certification of bills of lading costs \$1. Shipments "to order" are allowed. Brush or stencil marking is permitted and weights need not be stated on packages.

### **San Domingo**

In San Domingo certification at the consulate of the consular invoices and bills of lading is necessary, but consular charges are collected at the port of entry. Shipments may be consigned "to order" and separate invoices must be prepared for each mark. Four consular invoices and bills of lading must be prepared in Spanish.

### **Serbia**

For Serbia, three copies of the shipper's invoice are required by the consul, also a declaration on the face of every invoice. A form of this declaration may be procured from the consul. The consular fees vary according to the value of merchandise shipped. For instance, for the certification of a shipper's invoice of the value of \$480 or upwards the fee is \$3.

### **Spain**

No consular restrictions exist in Spain, but a certificate of origin and a certificate of destination are necessary on shipments of certain kinds of goods. A fee of 40 cents is made for visé of the certificate of origin.

**Sweden**

No consular documents are required in normal times in Sweden, but strict regulations exist in reference to commercial invoices. The country of origin must be clearly indicated on all shipments and the word "import" must appear with the name and address of the manufacturer.

**Switzerland**

No consular regulations of any kind concerning foreign shipments exist in normal times in Switzerland.

**Turkey**

Declaration of merchandise is usually necessary; also a certificate of origin, made out in French and certified by the Turkish consul at the point of shipment. Charge for this certification is \$2. Ordinarily no consular documents are required unless requested by the Turkish importer.

**Uruguay**

Three bills of lading for each shipment to Uruguay must be certified by the consul. Certificates of origin are required in duplicate. Packages may be marked with brush or stencil. Shipments "to order" are allowed. Petroleum shipments require first test certificates, while a certificate from the Department of Agriculture is necessary for shipments of plants into the country.

Three certificates are required for all shipments of animals—one from a veterinarian showing that the animals are physically sound, one from the railroad company stating that their cars have been disinfected, and one from the steamship company stating that the animal's quarters on the ship have been disinfected.

The importation of many kinds of goods, such as alcohol, edible oils, etc., is prohibited.

**Venezuela**

For Venezuela a consular invoice, prepared in Spanish, is required. Four copies of this invoice should be presented for certification at the consulate. Goods cannot be shipped "to order." Firearms can be imported only by special permission from the government. Foodstuffs shipped to Venezuela from this country should bear the United States stamp of inspection, as strict pure-food regulations exist. When an invoice has more than one mark, an extra 25 per cent is added to the consular charges for each additional mark.

**New Countries**

Several countries where unsettled conditions prevail have not been mentioned as the many new political alignments which are being made at this time render it impossible to complete in an authentic way the data presented in this chapter. Such countries as Poland, Bohemia, Lithuania, Bavaria, Czecho-Slovakia, and others of like status have been omitted from the preceding list on account of the unsettled conditions prevailing within their borders. The Department of State at Washington will be able to give as authentic information concerning any regulations these countries may now have, as is obtainable anywhere.

## **CHAPTER XLIV**

### **CREDIT CUSTOMS OF THE WORLD**

A digest of the usual credit customs in each of the various foreign countries follows.

#### **Argentina**

The wholesale trade usually requires 6 months' credit but small dealers require only from 1 to 3 months. These small dealers frequently pay cash for either a whole or part of the order, but in large transactions cash payments are rare. The prevalent rate of discount runs as high as 6 per cent. For payment within 30 days a discount of 5 per cent is given, with 1 per cent less for each additional month that payment is deferred.

#### **Australia and New Zealand**

Many Australian firms maintain branches in London through which foreign purchases are made. Several credit customs prevail in connection with goods sold to Australian merchants. The principal ones may be summarized as follows:

1. When the seller delivers the order at the ship's side, handing the buyer the ship's receipt for his invoice, the usual custom is to allow 30 days' credit.
2. When there is neither a branch office nor an agent, a letter of credit is established with the banker and the shipper's draft against documents at 90 to 120 days after sight is paid, charges being borne by buyer.
3. The buyer's banker receives the documents and pays cash for the face value.

4. The indent is forwarded to the supplier, who presents the documents to the banker and obtains from 75 to 80 per cent cash and the balance on 60 to 120 days' credit.
5. Bank references are demanded on a draft for the full value pending the ascertainment of proof of buyer's responsibility.

### **Austria**

Credit varies according to the lines of merchandise or articles sold. Some articles sell for cash, others at 10, 20, or 30 days and even from 2 to 6 months' credit, according to the code of commercial "usances" which regulates credit. Flour is sold on a 30 to 60 days' basis, dry goods 3 to 6 months, groceries 2 to 4 months. The general discount for cash is 2 per cent.

### **Belgium**

Large firms demand 90 days' time and sometimes insist on as long as 1 year. Short credits, however, are the general rule and the cash payment basis is not uncommon. The rate of discount varies from 2 to 6 per cent and is usually allowed on payments made in from 30 to 60 days. Discount is allowed also on drafts, which circulate extensively like bank notes before being cashed.

### **Bolivia**

European traders allow from 3 to 6 months' credit. A renewed acceptance is not valid unless it bears the signature of both drawer and drawee. Before the war Germans held the preponderance of trade in Bolivia, and it was difficult to overcome their competition as they were exceedingly generous in their terms to the natives. Trade is rather difficult on account of transportation and local conditions.

**Brazil**

Credit at 90 days' sight is the prevailing custom in doing business with the best class of Brazilian merchants. The time is often lengthened to 120 days in outposts, and for heavy machinery runs from 6 to 9 months. The indents are made out, as a rule, on a basis of 90 days from the date of arrival of goods from Europe and 30 days from the date of arrival from the United States. Discounts are allowed for short credits as well as for cash, the terms being somewhat similar to those prevailing in New York, but varying both according to circumstances and to the line of merchandise.

**British Honduras**

The prevalent custom is for settlements to be made every month or two, but British merchants grant 4 to 6 months' credit and allow a  $2\frac{1}{2}$  per cent discount for cash. In some cases, however, as much as 5 per cent discount is allowed, each line of trade having its special rate. A bill of lading, if properly certified, is negotiable, and banks in Honduras will make advances on them on a basis of 3 to 6 months.

**British South Africa**

Ninety days' draft is the prevailing practice, but unless a draft is accompanied by special instructions no document giving title, such as a bill of lading, is handed over. Many large houses pay for their shipments on delivery and orders are frequently resold before they are fully delivered. All the large trading concerns have running accounts in London and on the Continent.

**British West Indies**

The prevailing custom is to grant credit for 3 months from the receipt of goods or for 4 months from the date of shipment. American bills are discounted by some local merchants



for cash at 2 per cent. Invoices are usually settled by the acceptance of a draft drawn upon the Colonial Bank. The customary rate of interest is 6 per cent.

### **Bulgaria and Balkan States**

Long credits extending from 6 months to 1 year are the custom and are granted by concerns which have a personal representative on the ground. Unless it is feasible to send such a representative, foreign business in this field does not seem practical.

### **Canada**

The customary credit granted is 2 to 6 months, according to the size of the firm and the line of goods. Dry goods are sold on 4 to 6 months' credit. Prevailing rates of discount are 4 to 7 per cent, but these rates are graded differently from those allowed in the United States.

### **Chili**

The credit time generally granted by the Germans, the French, and the English is 6 months. Cash payments are very rare and international trade is difficult to carry on in Chili unless branches of home banks are established there.

### **China**

Transactions are usually conducted on the basis of 60 days' draft for goods sent from England and 30, 60, 90, or 120 days' draft for imports from the Continent. The draft is placed in the bank together with the titular documents, such as the invoice, bill of lading, and insurance papers, which always accompany it.

On the arrival of these documents in China, the draft is accepted by the drawee, and if the terms so require the documents are delivered to him. If the documents are deposited

against payment instead of against acceptance, it is then only on the date of expiration of the draft that the merchant receives the merchandise. The bank, in the meantime, unloads and stores the shipments. In some cases, the bank allows the merchant to make a part payment and to take the quantity of goods for which he has paid.

### **Colombia**

The terms of credit required and often allowed are 6 to 12 months, as bills owed local firms by their debtors are frequently paid in coffee, which they in turn must sell before they can meet their obligations. A 5 per cent discount is allowed for cash.

### **Cuba**

Terms of payment vary from 3 to 12 months according to the line of merchandise, but long credits are the rule rather than the exception. The rate of discount varies according to agreement between the parties, but it is ordinarily about 5 or 6 per cent.

### **Denmark**

The credit usually granted is 3 to 9 months. The Germans, who had a large portion of Denmark's trade, gave the natives 5 to 6 per cent on payments made within 3 months after the date of delivery.

### **Ecuador**

Cash business is very rare, the general custom being to grant between 3 and 6 months' credit. The standing of the firm, the nature of goods, and other circumstances enter into the determination of what this time shall be in a particular case. As cash payments are so unusual, little is known in Ecuador about discounts.

**Egypt**

The usual arrangement is a 3 months' draft, with the bill of lading and insurance papers attached. Houses of high standing buy goods on draft at 30 days' sight. Drafts are generally sent through the banks, while a discount of 2 per cent is usually allowed for cash.

**France**

The average length of credit term is 90 days, though terms of 30 and 60 days are quite common. Payments are usually made by drafts drawn by the sender on the buyer. French bankers cash these drafts at a discount. At the French shipping ports payments are made by bank credits or documentary drafts.

This means, in the first instance, that the shipper or the French buyer gives the seller a written guarantee from a bank that it will accept the seller's drafts and pay them at maturity on delivery of titular documents. The banker may deliver the documents to the buyer against payment or give credit at his own risk. In case a bank fails while in possession of the documents guaranteeing title to the property, the buyer will be held responsible for the full amount of the purchase price.

**Germany**

The credit granted before the war was often 3 to 6 months, but 30 to 90 days were the usual terms on which business was conducted throughout the country. The rules of different houses and the nature of the goods had an influence on the terms of credit. When a purchaser was of doubtful financial standing cash payment was demanded. Discounts were generally allowed, but they varied so much that no general rule was established. In general, German credit terms are more generous than those offered in this country.

**Greece**

Nearly all of the local merchants do business on credit, frequently granting very long terms to their customers. For this reason the importing business of Greece is conducted on long credits. The general term of credit is 6 months, and 6 per cent is allowed for cash payments. Local banks accept drafts and will deal with foreign firms on recommendation of any reputable local concern.

**Guatemala**

The terms of credit run from 6 months to 1 year. Such long credit is indispensable on account of local conditions. A discount of 3 and 4 per cent is allowed on cash payments.

**Haiti**

From 60 days to 1 year or longer are the usual credit terms. The business of the country is conducted almost entirely on credit.

**Honduras**

Credit is often allowed for from 4 to 9 months, but American shippers usually allow but 90 days to the buyer.

**India**

Long credits are usually granted and large discounts are given for cash payments. Nearly all the import business is done by British firms.

**Italy**

The customary credit allowance is 90 days to 8 months, the nature of the goods having much to do with the matter. Some classes of goods sell on 30 days', others on 90 days' credit. A rate of 5 per cent is charged by the banks on drafts remaining unpaid after maturity.

**Japan**

The prevalent practice in Japan, in so far as the foreign trade is concerned, seems to be to pay cash. Of course there are many exceptions to this rule, among which are the transactions on open account. If the seller finds that he can discount the promissory notes of the buyer he usually does business by accepting them and charging the discount to the drawee. Under the laws of Japan, a promissory note, if in proper legal form, amounts to a judgment. These notes usually are drawn on 30 to 60 days' time. It is best to arrange with the buyer through bankers in the United States for a confirmed letter of credit which enables the shipper to secure cash against documents the moment he places the goods in the custody of a steamship company.

**Mexico**

American firms usually insist on the entire amount of their invoice being deposited in some American bank before shipping the goods, although Mexico in normal times is in good repute throughout the commercial world. European houses usually allow 4 to 6 months' credit to responsible concerns in Mexico, and a number of manufacturers in the United States are now selling on the basis of 30 to 90 days' credit. A discount of 2 per cent is given when cash accompanies the order.

**Netherlands**

The business of Holland is conducted on the basis of 6 months' credit, and even 1 year accounts are not unusual. Since all the domestic business is dependent on long terms of credit, foreign houses which transact business in the Netherlands are obliged to conform to the policy of granting long terms of credit. A discount of from 2 to 4 per cent is given on cash payments.

**Nicaragua**

The general credit agreement is 6 months to 1 year, and cash payments are almost unheard of among merchants in Nicaragua. Discounts for such payments run as high as 6 per cent.

**Paraguay**

Credit is usually extended for about 6 months, but sometimes for as long as a year.

**Peru**

The basis upon which business is conducted in Peru is 6 to 12 months' credit. In special cases credit is extended for an even longer time. European exporters who control trade in Peru usually give 90 days' to 6 months' credit from the date of delivery.

**Portugal**

From 1 to 6 months is the customary credit allowed by foreign shippers, but in prosperous times many Portuguese merchants will be found ready to pay cash. A discount rate of 6 per cent is obtainable for payment within 30 days in certain lines of merchandise.

**Roumania**

Countries near Roumania usually give long credits, but the far-off countries are in the habit of demanding cash against documents.

**Russia**

The present political and economic status of Russia is such that no phase of the country's commercial procedure can be referred to as "customary." Consequently, there can be at present no authentic information as to credit customs.

**Salvador**

European exporters have been granting long terms of credit in Salvador but the best houses of the country have business agencies in the United States and Europe which discount their notes or give security for payment. Many of Salvador's importers, however, have lately shown a distinct preference for making cash payments with a discount for such payment of 2 or 3 per cent.

**San Domingo**

The general term of credit in San Domingo is 90 days, and the rate of discount is from 2 to 5 per cent for cash payments or for payments made within 30 days.

**Siam**

A credit of from 3 to 6 months is granted by European traders in close touch with the most important traders in Siam.

**Spain**

The customary term of credit varies from 90 days to 6 months, but the banks of the country will not discount any commercial paper or make allowance for a period longer than 90 days.

**Sweden and Norway**

The credit demanded is 3 to 6 months.

**Switzerland**

Long credits prevail at 30 to 90 days, with 2 per cent discount for cash payments.

**Turkey**

The custom as to credit varies. The most common term seems to be 6 months, but Turkish merchants do quite an

extensive cash business with foreign firms and are usually prepared to give security. The rate of discount for cash payments seldom exceeds 2 per cent. A great deal of foreign business is conducted through the banks.

#### **United Kingdom of Great Britain and Ireland**

The usual credit allowance is 30 to 60 days. A discount of  $2\frac{1}{2}$  per cent or more is allowed for cash, varying according to the class of trade.

#### **United States**

Credit terms and the conditions of sale are as varied as the goods sold. The prevailing time which is allowed for settlement of accounts between local traders seems to be 30 to 60 days. In some lines of trade time extensions are allowed.

#### **Uruguay**

Strong houses prefer to make cash payments. In the interior credit is usually extended for from 3 to 6 months.

#### **Venezuela**

The usual credit allowance varies between 30, 60, 90 days, and 6 months. Discounts of from 4 to 6 per cent are given for cash, but cash business is rare in Venezuela. It is, however, a very easy matter to arrange with a bank to cash the drafts of Venezuelan merchants, as their credit as a rule is excellent.



## **APPENDIX**



## APPENDIX A

### GOVERNMENTAL ENACTMENTS AND AGENCIES

#### TEXT OF WEBB-POMERENE LAW

An Act to promote export trade, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the words "export trade" wherever used in this Act mean solely trade or commerce in goods, wares, or merchandise exported, or in the course of being exported from the United States or any Territory thereof to any foreign nation; but the words "export trade" shall not be deemed to include the production, manufacture, or selling for consumption or for resale, within the United States or any Territory thereof, of such goods, wares, or merchandise, or any act in the course of such production, manufacture, or selling for consumption or resale.

That the words "trade within the United States" wherever used in this Act mean trade or commerce among the several States or in any Territory of the United States, or in the District of Columbia, or between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or between the District of Columbia and any State or States.

That the word "association" wherever used in this Act means any corporation or combination, by contract or otherwise, of two or more persons, partnerships, or corporations.

SEC. 2. That nothing contained in the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," approved July second, eighteen hundred and ninety, shall be construed as declaring to be illegal an association entered into for the sole purpose of engaging in export trade and actually engaged solely in such export trade, or an agreement made or act done in the course of export trade by such association, provided such association, agreement, or act is not in restraint of trade within the United States, and is not in restraint of the export trade of any domestic competitor

of such association: And provided further, That such association does not, either in the United States or elsewhere, enter into any agreement, understanding or conspiracy, or do any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such association or which substantially lessens competition within the United States or otherwise restrains trade therein.

SEC. 3. That nothing contained in section seven of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October fifteenth nineteen hundred and fourteen, shall be construed to forbid the acquisition or ownership by any corporation of the whole or any part of the stock or other capital of any corporation organized solely for the purpose of engaging in export trade, and actually engaged solely in such export trade, unless the effect of such acquisition or ownership may be to restrain trade or substantially lessen competition within the United States.

SEC. 4. That the prohibition against "unfair methods of competition" and the remedies provided for enforcing said prohibition contained in the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September twenty-sixth, nineteen hundred and fourteen, shall be construed as extending to unfair methods of competition used in export trade against competitors engaged in export trade, even though the acts constituting such unfair methods are done without the territorial jurisdiction of the United States.

SEC. 5. That every association now engaged solely in export trade, within sixty days after the passage of this Act, and every association entered into hereafter which engages solely in export trade, within thirty days after its creation, shall file with the Federal Trade Commission a verified written statement setting forth the location of its offices or places of business, and the names and addresses of all its officers and of all its stockholders or members, and if a corporation, a copy of its certificate or articles of incorporation and by-laws, and if unincorporated, a copy of its articles or contract of association, and on the first day of January of each year thereafter it shall make a like statement of the location of its offices or places of business and the names and addresses of all its officers and of all its stockholders or members and of all amendments to and changes in its articles or certificate of incorporation or in its articles or contract of association.

It shall also furnish to the commission such information as the commission may require as to its organization, business, conduct, practices, management, and relation to other associations, corporations, partnerships, and individuals. Any association which shall fail so to do shall not have the benefit of the provisions of section two and section three of this Act, and it shall also forfeit to the United States the sum of \$100 for each and every day of the continuance of such failure, which forfeiture shall be payable into the Treasury of the United States, and shall be recoverable in a civil suit in the name of the United States brought in the district where the association has its principal office, or in any district in which it shall do business. It shall be the duty of the various district attorneys, under the direction of the Attorney-General of the United States, to prosecute for the recovery of the forfeiture. The costs and expenses of such prosecution shall be paid out of the appropriation for the expenses of the courts of the United States.

Whenever the Federal Trade Commission shall have reason to believe that an association or any agreement made or act done by such association is in restraint of trade within the United States or in restraint of the export trade of any domestic competitor of such association, or that an association either in the United States or elsewhere has entered into any agreement, understanding, or conspiracy, or done any act which artificially enhances or depresses prices within the United States of commodities of the class exported by such association or which substantially lessens competition within the United States or otherwise lessens trade therein, it shall summon such association, its officers, and agents to appear before it, and thereafter conduct an investigation into the alleged violations of law. Upon investigation, if it shall conclude that the law has been violated, it may make to such association recommendations for the readjustment of its business, in order that it may thereafter maintain its organization and management and conduct its business in accordance with law. If such association fails to comply with the recommendations of the Federal Trade Commission, said commission shall refer its findings and recommendations to the Attorney-General of the United States for such action thereon as he may deem proper.

For the purpose of enforcing these provisions the Federal Trade Commission shall have all the powers, so far as applicable, given it in "An Act to create a Federal Trade Commission, to define its powers and duties and for other purposes." [Approved April 10, 1918.]

## LAW OF DRAWBACK

Exported merchandise is entitled to a refund of 99 per cent of the import duty paid on materials used in the manufacture of such merchandise. This refund is known as "drawback." The privilege is an important one and has the effect of necessitating the payment of only 1 per cent duty on goods imported for use in the manufacture of other articles to be exported.

Exporters thus far have not taken full advantage of this liberal provision of our tariff law, although those firms which realize its advantages usually employ a drawback agent to look after the details of drawback.

In order to obtain drawback, a manufacturer must make application to the United States Treasury Department. Agents of the Treasury Department then investigate the manufacturer's claim and if it is found to be justifiable, permission to claim drawback is granted. The exporting manufacturer need not be himself the manufacturer of the materials upon which drawback is claimed.

At some time before the shipment is ready for export, the manufacturer should mail to his drawback agent a "Notification Blank." The latter then advises the collector of customs. A "Notice of Intent" is also filled out by the manufacturer and is delivered to the United States district inspector at the pier.

Following is the official wording of Section 25 of the Tariff Act of 1909 relating to drawbacks:

That where imported materials on which duties have been paid are used in the manufacture of articles manufactured or produced in the United States, there shall be allowed on the exportation of such articles a drawback equal in amount to the duties paid on the materials used, less one percentum of such duties; Provided, that when the articles exported are made in part from domestic materials the imported materials, or the parts of the articles made from such materials, shall so appear in the completed articles that the quantity or measure thereof may be ascertained; And provided further, that

the drawback on any article allowed under existing law shall be continued at the rate herein provided. That the imported materials used in the manufacture or production of articles entitled to drawback of customs duties when exported shall, in all cases where drawback of duties paid on such materials is claimed, be identified, the quantity of such materials used and the amount of duties paid thereon shall be ascertained, the facts of the manufacture or production of such articles in the United States and their exportation therefrom shall be determined, and the drawback due thereon shall be paid to the manufacturer, producer or exporter, to the agent of either or to the person to whom such manufacturer, producer, exporter, or agent shall in writing order such drawback paid, under such regulations as the Secretary of the Treasury shall prescribe.

That on the exportation of medicinal or toilet preparations (including perfumery) hereafter manufactured or produced in the United States in part from domestic alcohol on which an internal revenue tax has been paid, there shall be allowed a drawback equal in amount to the tax found to have been paid on the alcohol so used; *Provided*, That no other than domestic tax-paid alcohol shall have been used in the manufacture or production of such preparations. Such drawback shall be determined and paid under such rules and regulations, and upon the filing of such notices, bonds, bills of lading and other evidence of payment of tax and exportation, as the Secretary of the Treasury shall prescribe.

That the provisions of this section shall apply to materials used in the construction and equipment of vessels built for foreign account and ownership, or for the government of any foreign country, notwithstanding that such vessels may not within the strict meaning of the term be articles exported.

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### FEDERAL RESERVE ACT

Those sections of the Federal Reserve Act which have an important bearing on foreign trade are quoted below:

## SECTION 14

Any Federal reserve bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this act made eligible for rediscount, with or without the indorsement of a member bank.

Every Federal reserve bank shall have power:

(a) To deal in gold coin and bullion, at home or abroad, to make loans thereon, exchange Federal reserve notes for gold coin or gold certificates, and to contract for loans of gold coin or bullion, giving therefore, when necessary, acceptable security, including hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

(b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase not exceeding six months, issued in the anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board.

. . . . .

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Federal Reserve Board and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its endorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and with the consent of the Federal Reserve Board to open and maintain banking accounts for such foreign correspondents or agencies. . . . .



**SECTION 25**

Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, either or both of the following powers:

First. To establish branches in foreign countries or dependencies or insular possessions of the United States for the furtherance of the foreign commerce of the United States, and to act if required to do so as fiscal agents of the United States.

Second. To invest an amount not exceeding in the aggregate ten per centum of its paid-in capital stock and surplus in the stock of one or more banks or corporations chartered or incorporated under the laws of the United States or any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States either directly, or through the agency, ownership, or contract of local institutions in foreign countries, or in such dependencies or insular possessions. . . .

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## **WORK OF THE BUREAU OF FOREIGN AND DOMESTIC COMMERCE**

Among the most important agencies in this country for the development of foreign trade is the governmental Bureau of Foreign and Domestic Commerce. Its purposes and aims are set forth in the following statement issued by the Bureau:

The Bureau of Foreign and Domestic Commerce has three principal sources from which it obtains trade information from foreign countries.

**CONSULAR SERVICE.** The United States Government maintains abroad nearly 300 consular officers and in addition many agencies. These consular officers furnish the Bureau a great fund of information relating to the trade of their districts, including annual reviews of commerce, special reports called for by the Department of Com-

merce, lists of importers, notices of bids for contract work, requests of merchants to be placed in communication with American exporters, etc.

**COMMERCIAL AGENTS.** Most of these men are taken from active work in some particular industry or some special branch of commerce and are experts in their respective lines. They travel widely and make reports as to methods of manufacture and special requirements in the lines that they are investigating.

**COMMERCIAL ATTACHÉS.** While stationed at one post like the consular officer, the commercial attaché is free to travel within the field to which he is assigned. He has but one function—the facilitation of commerce between the United States and the country to which he is assigned. Each attaché speaks the language of the country in which he is located and is thoroughly conversant with its commercial usages.

In addition the Bureau receives numerous official and other publications from foreign countries, which are utilized in answering requests for information. It also avails itself of trade journals published in this country and of the assistance of commercial organizations.

### **Publications**

Information collated by the Bureau of Foreign and Domestic Commerce is distributed chiefly through its publications, which include a daily trade journal and monthly, quarterly, annual, and special bulletins.

Announcements of specific opportunities for the sale of American goods abroad and other matters of a confidential character are furnished only to American firms, through the "Trade Opportunity" service and the confidential bulletins and circulars of the Bureau.

*Commerce Reports*, a daily journal, contains articles submitted by consular officers and commercial agents of the Department of Commerce and trade information from other sources. It is the organ through which current information on foreign trade matters is distributed to American business men. It is sold by the Superintendent of Documents, Government Printing Office, Washington, D. C., for \$2.50 per year, and subscriptions are also received at the district offices. The annual reports of consular officers, formerly published in this daily journal, are now issued as supplements to it and are mailed to all subscribers to *Commerce Reports*.

*Monthly Summary of Foreign Commerce* gives the imports and exports of the United States by articles, quantities, and values for the month of issue and for the accumulated period of the year ending with the month of issue, with comparative figures for corresponding periods in the two preceding years. It is sold by the Superintendent of Documents for 15 cents per copy, or \$1.50 a year.

*Imports Entered for Consumption*, which is issued quarterly, gives a detailed statement of the quantity and value of imports into the United States, the rates of duty, and the amount of duty collected. It is sold by the Superintendent of Documents for 75 cents a year; single copies, 15 to 25 cents.

*Commerce and Navigation*, an annual volume of about 900 quarto pages, gives detailed statistics of the foreign trade of the United States, stating the countries to which each article or class of articles was exported and from which each article or class of articles was imported during a five-year period. It is sold by the Superintendent of Documents.

*Statistical Abstract of the United States*, an annual volume of about 800 pages, contains a condensed statement of the commerce, production, industries, population, finance, currency, and wealth of the country, with summary statements of the commerce of the principal foreign countries. It is sold by the Superintendent of Documents for 50 cents.

### **Bulletins on Special Subjects**

Special bulletins published by the Bureau embrace a wide range of subjects. Some present a survey of the entire world's markets for certain lines of goods; others contain an intensive study of particular fields and particular lines; still others furnish a general study of some country or group of countries.

Bulletins have been issued on the cotton goods trade of almost every country in the world; other bulletins deal with cottonseed oil, lumber, shoes and leather, machine tools, paints and varnishes, motor vehicles, musical instruments, canned goods, etc.

Special handbooks have been issued on Australia, New Zealand, Russia, South America, Dominican Republic, Canada, Alaska, Hawaii, and the Philippines, British India, etc. Still other special publications deal with such subjects as foreign credits, packing, and transportation rates.

### **Trade Directories**

Trade directory work is an important branch of the Bureau's service to American exporters. In 1911 was issued a "World Trade Directory," giving the names of importers in all countries of the world. This volume is now out of print, but may be consulted at the district offices, which also have the revised lists that are constantly being received from consular officers.

In 1914 the Bureau issued a revision of the South American section of the directory (428 pages), with a uniform classification of dealers and importers. This can be bought from the Superintendent of Documents.

A revision of the directory of Central America and the West Indies is published and others will be taken up later.

The district offices of the Bureau have on hand American trade directories and directories of foreign countries that will prove of material assistance to exporters.

### **Trade Opportunity Service**

Announcements of specific opportunities for the sale of American goods abroad are published in *Commerce Reports*. The names and addresses of the foreign importers desiring the goods are not given in these announcements, but are furnished to bona fide American firms upon application to the Bureau at Washington or to any of the district offices.

In applying for such names and addresses the inquirer need refer only to the number of the announcement as published in the daily. A separate application on the firm's letterhead should be made for each "opportunity" desired.

When the confidential information furnished regarding an opportunity for sales in foreign countries is too detailed to be given in a "Trade Opportunity" announcement, it is embodied in a confidential bulletin or circular, which is sent to firms that are listed in the Trade Index files maintained by the Bureau and its district offices.

Samples, specifications, etc., that accompany reports by consular officers and commercial agents are sent to the district offices for limited periods and can be inspected by those interested.

### **Foreign Trade Information**

The Division of Foreign Tariffs has on file the customs tariffs of all foreign countries, usually in official editions, and the customs

laws, regulations, and decisions of the principal countries of the world. It also receives the official gazettes of most foreign countries, so that the tariff information distributed by the Bureau, either in the form of special tariff publications or by correspondence, is derived largely from official sources.

The Bureau is equipped to answer inquiries in regard to rates of duty, customs regulations, internal revenue taxes, license fees for commercial travelers and customs treatment of their samples, consular regulations, and commercial agreements of foreign countries.

In addition to publishing translations of foreign customs tariffs and special compilations of rates of duty on groups of products in all foreign countries, the Bureau gives notice of current tariff changes, as well as proposed changes, through the foreign tariff notes in *Commerce Reports*. These notes are assembled quarterly and published under the title of *Foreign Tariff Notes*. The other tariff publications of the Bureau are known as "Tariff Series."

In writing for information in regard to foreign rates of duty, it is necessary to give a detailed description of the article involved and to specify the particular country or countries for which tariff information is desired. It is advisable to confine inquiries to information needed immediately rather than to ask for comprehensive statements for future reference, which may be out of date by the time they are used.

While the district offices of the Bureau of Foreign and Domestic Commerce are supplied with the tariff publications issued by the Bureau, they are not in a position to give authoritative information in regard to foreign tariffs. Tariff inquiries should therefore, whenever possible, be addressed to the main office in Washington.

A collection of foreign trade-mark and patent laws is now being made up by the Bureau of Foreign and Domestic Commerce for the purpose of answering inquiries in regard to those subjects.

### **The District Office Can Help**

District offices of the Bureau of Foreign and Domestic Commerce were established to expedite the distribution of commercial information, to ascertain the needs of the business men of the country, and to establish closer co-operation between Government and private agencies interested in the extension of foreign trade.

Each district office has on file confidential information regarding trade opportunities, lists of importers in foreign countries, trade directories, etc.

Each district office receives specifications, samples, exhibits, etc., for a limited time, and these may be inspected by interested persons.

Each district office arranges conferences between exporters and consular officers and commercial agents when the latter visit district offices during leave of absence in this country.

Each district office makes a special study of the needs of the district in which it is located, and the Bureau endeavors to equip each of its districts to meet the demands peculiar to their fields.

Each district office keeps on file all publications of the Bureau, as well as publications of other branches of the Government, that will be of assistance to American exporters. Each office acts as sales agent for the Superintendent of Documents, Washington, D. C., for the sale of the Bureau's publications.

The Bureau of Foreign and Domestic Commerce is the American business man's bureau and is able and ready to serve your interests.

### **Suggestions to Exporters**

Visit or write the district office in your district and learn what it has and what it can do for you.

Get your name on the Trade Index, so you will receive the Bureau's confidential information on foreign trade.

Build up a library of publications on your line of business. The Government will furnish you its publications at cost, and in them you may find the solution to some of your business problems.

Subscribe for *Commerce Reports*, so you may be able to get promptly the announcements of opportunities for the sale of goods in foreign lands and to keep informed concerning commercial and industrial conditions the world over. Subscriptions (at \$2.50 per year) will be received at the district offices, or may be sent direct to the Superintendent of Documents, Washington, D. C.

Write the district office about your export problems. The Bureau through its districts aims to meet your needs, to serve your interests. The more it knows about your problems, the more effectively it can assist you.

Consult the district office in your district before addressing requests for information to American consular officers. Frequently the Bureau and its district offices have on file just the information you desire. Thus you will save time and expense.

Make arrangements with the Bureau or its district offices for

conferences with consular officers and commercial agents. These officials can furnish you information of great value. You, in turn, can aid them in making their work more effective.

Participate with the commercial organizations to which you belong in the work of the Bureau of Foreign and Domestic Commerce and its district offices. Every commercial association can, by co-operation with the Bureau, prove an effective agency in the development of American trade in foreign countries.

Consult the district office in your district concerning your plans for entering the foreign trade field. From it you can ascertain what countries are the largest importers of the articles you produce, and what countries are now supplying the demand, where American exporters in your line have met with success, the usual conditions as to credits, packing, etc.

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## WORK OF THE OFFICE OF FOREIGN TRADE ADVISERS

The chief duties of the Office of the Foreign Trade Advisers of the Department of State are:

1. To control and direct, under the supervision of the appropriate executive officers of the Department, the commercial work of the diplomatic and consular services;
2. To attend to correspondence and other miscellaneous business of the Department relating primarily to trade;
3. To gather information and formulate advice on commercial subjects for the use of the Secretary and other officers of the Department.

The control and direction of the commercial work of the diplomatic and consular services involve the drafting of instructions relating to the activities of diplomatic and consular officers in behalf of American trade, the acknowledgment, filing and indexing of their reports, the consideration of these reports and their transmission after editing to private inquirers and to the governmental departments interested, including the Department of Commerce for possible

publication in *Commerce Reports*. These reports constitute the great bulk of the material published in this daily.

The commercial work of the diplomatic service has largely to do with representations to the central authorities of foreign countries in an endeavor to obtain for American commercial interests equitable or more favorable treatment. For example, since the outbreak of the war European countries have forbidden the exportation of many important articles of commerce with a resultant interference to American industry and trade which in particular instances has been of a most serious nature. Other belligerent measures aimed to stop enemy trade overseas have had a similarly adverse effect on the economy of the United States. It has fallen to the Office of the Foreign Trade Advisers to advise the Department in reference to the many instructions to American diplomatic missions abroad and notes to the diplomatic representatives of foreign powers in the United States involved in negotiations to secure an amelioration of these conditions.

The situations which have arisen have been manifold. A British Order in Council interfered with the shipment of American tobacco to Germany and Austria-Hungary. It was possible to secure a removal of the restrictions imposed with the immediate result of an increase in the prices realized by American tobacco growers for their crops. Owing to embargoes ordered by Germany and Austria-Hungary the importation of sugar beet seed became impossible. Arrangements were carried through for the importation of 15,000 bags under an exception to the German embargo and by special arrangement with the British Government. The British Government recently placed an embargo on the exportation of logwood from Jamaica, thereby intensifying the shortage of dyestuffs in the United States. On January 10, 1916, the embargo was raised as a result of representations by this Government. Other recent questions of importance requiring diplomatic action have related to the importation of hemp from Italy, of tungsten ore from Portugal, argols from France, and hides, glycerine, sodium cyanide and a large number of other important commodities from various foreign countries.

The commercial work of the consular service includes, among other activities, the preparation of reports on a wide range of economic subjects and the answering of many and diverse inquiries relating to commercial matters originating with business houses in the United States. Both the reports and letters pass through the



Office of the Foreign Trade Advisers where they are read, indexed, edited, and sent on to the Departments interested and inquirers. In 1915, 28,641 reports and letters were transmitted to the Department of Commerce alone for possible publication in the daily issues of *Commerce Reports*.

Another important activity of the consular service is the reporting of opportunities for the sale of American goods abroad. Large numbers of reports of this character are received daily from consuls in all parts of the world. A considerable portion come by cable. These are given immediate consideration and communicated at once to the Department of Commerce for possible publication in *Commerce Reports* or in the form of special confidential circulars addressed to business houses known to be interested.

Reports received from not more than one-half of the 300 consulates in the American service show that during a period of about six months just passed American exporters obtained foreign business as a direct result of the activities of those offices amounting to \$23,000,000 in cases where it was possible to state the value of the orders obtained. In addition there were other orders the amounts involved in which could not be definitely known, representing a value probably approximately one-half of the above figure.

The miscellaneous correspondence of the Department of State relating to trade originates for the most part with individuals and firms who desire to extend their foreign connections, to have information on particular points concerning foreign tariffs, food regulations, invoice requirements, embargoes, etc., or to enlist the aid and protection of the Government in respect to their difficulties with foreign governmental authorities. In order to comply with the requests contained in these letters it is necessary in many cases to send written or telegraphic instructions to American diplomatic and consular officers. In other cases the information desired must be sought from the library of trade publications or the files of diplomatic and consular reports and despatches already in the Office. The services of the foreign representatives of the United States are made available to the public in this way by the Office of the Foreign Trade Advisers and private inquirers obtain the benefit of a well-developed commercial intelligence service.

The work of the Office of the Foreign Trade Advisers has undergone an enormous increase since the outbreak of the present war. By an Order in Council of March 11, 1915, the British Govern-

ment decreed a suspension of the sea-borne foreign trade of Germany and its allies. The validity of this measure has not been recognized by the United States and is still the subject of diplomatic discussion. Pending the settlement of the questions involved, it was arranged that the British Government should issue permits to individual American importers for the uninterrupted shipment to the United States from neutral ports of particular consignments of goods of German, Austrian, or Turkish origin purchased or ordered prior to March 1, 1915. The permits are issued on the basis of applications filed with the British Embassy at Washington through the Office of the Foreign Trade Advisers acting unofficially as the representative of the importers. Between the latter part of September and November 1, 1915, nearly 1,400 of these applications were received. The total value of the merchandise involved is estimated at about \$40,000,000. At the end of 1915 nearly one-half of this had been released for shipment to the United States as a result of the activity of the Foreign Trade Advisers' Office.

The Office of the Foreign Trade Advisers is frequently requested by the Secretary of State and other officers of the Department to prepare memoranda on commercial questions arising in the course of the Department's business. From time to time it has undertaken extensive investigations, as when tariff reciprocity with Canada was mooted in 1911. At present the Office is studying business conditions and international tariff relations with a view to safeguarding and promoting the interests of the United States in the profound economic readjustments which it is expected will attend the conclusion of the present war.

The library of the Office of the Foreign Trade Advisers contains more than 15,000 books and pamphlets relating to foreign treaties, customs and tariff laws, regulations and decisions, commerce, navigation, and industry throughout the world. It is probably the most complete library of its kind in existence, as American diplomatic and consular officers in all parts of the globe are instructed to supply it with the latest statistical and other publications of the governments to which they are accredited. Duplicate copies of the publications received are transmitted from time to time to other Departments of the Government which it is thought may be interested in the subject matter.

The present staff of the Office of the Foreign Trade Advisers embraces the Foreign Trade Adviser, four consular officers detailed

for special duty in the Office, one attorney and one special agent handling applications for British permits, thirteen departmental clerks, twelve stenographers and two messengers. The offices are in the State Department Annex, Washington, D. C.

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### FEDERAL TRADE COMMISSION—RULES OF PRACTICE

The following rules of practice were adopted June 17, 1915, by the Federal Trade Commission.

#### Sessions

The principal office of the Commission at Washington, D. C., is open each business day from 9 A.M. to 4:30 P.M. The Commission may meet and exercise all its powers at any other place, and may, by one or more of its members, or by such examiners as it may designate, prosecute any inquiry necessary to its duties in any part of the United States.

Sessions of the Commission for hearing contested proceedings will be held as ordered by the Commission.

Sessions of the Commission for the purpose of making orders and for the transaction of other business, unless otherwise ordered, will be held at the office of the Commission at Washington, D. C., on each business day at 10:30 A.M. Three members of the Commission shall constitute a quorum for the transaction of business.

All orders of the Commission shall be signed by the Secretary.

#### Complaints

Any person, partnership, corporation, or association may apply to the Commission to institute a proceeding in respect to any violation of law over which the Commission has jurisdiction.

Such application shall be in writing, signed by or in behalf of the applicant, and shall contain a short and simple statement of the facts constituting the alleged violation of law and the name and address of the applicant and of the party complained of.

The Commission shall investigate the matters complained of in such application, and if upon investigation it shall appear to the Commission that there is a violation of law over which the Commission has jurisdiction, the Commission shall issue and serve upon the party complained of a complaint stating its charges and containing a notice of a hearing upon a day and at a place therein fixed at least 40 days after the service of said complaint.

### **Answers**

Within 30 days from the service of the complaint, unless such time be extended by order of the Commission, the defendant shall file with the Commission an answer to the complaint. Such answer shall contain a short and simple statement of the facts which constitute the ground of defense. It shall specifically admit or deny or explain each of the facts alleged in the complaint, unless the defendant is without knowledge, in which case he shall so state, such statement operating as a denial. Answers in typewriting must be on one side of the paper only, on paper not more than 8½ inches wide and not more than 11 inches long, and weighing not less than 16 pounds to the ream, folio base, 17 by 22 inches, with left-hand margin not less than 1½ inches wide, or they may be printed in 10 or 12 point type on good unglazed paper 8 inches wide by 10½ inches long, with inside margins not less than 1 inch wide.

### **Service**

Complaints, orders, and other processes of the Commission may be served by anyone duly authorized by the Commission, either (a) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or to the president, secretary, or other executive officer, or a director, of the corporation or association to be served; or (b) by leaving a copy thereof at the principal office or place of business of such person, partnership, corporation, or association; or (c) by registering and mailing a copy thereof addressed to such person, partnership, corporation, or association at his or its principal office or place of business. The verified return by the person so serving said complaint, order, or other process, setting forth the manner of said service, shall be proof of the same, and the return post-office receipt for said complaint, order, or other process, registered and mailed as aforesaid, shall be proof of the service of the same.

**Intervention**

Any person, partnership, corporation, or association desiring to intervene in a contested proceeding shall make application in writing, setting out the grounds on which he or it claims to be interested. The Commission may, by order, permit intervention by counsel or in person to such extent and upon such terms as it shall deem just.

Applications to intervene must be on one side of the paper only, on paper not more than 8½ inches wide and not more than 11 inches long, and weighing not less than 16 pounds to the ream, folio base, 17 by 22 inches, with left-hand margin not less than 1½ inches wide, or they may be printed in 10 or 12 point type on good unglazed paper 8 inches wide by 10½ inches long, with inside margins not less than 1 inch wide.

**Continuances and Extensions of Time**

Continuances and extensions of time will be granted at the discretion of the Commission.

**Witnesses and Subpoenas**

Witnesses shall be examined orally, except that for good and exceptional cause for departing from the general rule the Commission may permit their testimony to be taken by deposition.

Subpoenas requiring the attendance of witnesses from any place in the United States at any designated place of hearing may be issued by any member of the Commission.

Subpoenas for the production of documentary evidence (unless directed to issue by a Commissioner upon his own motion) will issue only upon application in writing, which must be verified and must specify, as near as may be, the documents desired and the facts to be proved by them.

Witnesses summoned before the Commission shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken, and the persons taking the same, shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

**Depositions in Contested Proceedings**

The Commission may order testimony to be taken by deposition in a contested proceeding.

Depositions may be taken before any person designated by the Commission and having power to administer oaths.

Any party desiring to take the deposition of a witness shall make application in writing, setting out the reasons why such deposition should be taken, and stating the time, when, the place where, and the name and post-office address of the person before whom it is desired the deposition be taken, the name and post-office address of the witness, and the subject matter or matters concerning which the witness is expected to testify. If good cause be shown, the Commission will make and serve upon the parties, or their attorneys, an order wherein the Commission shall name the witness whose deposition is to be taken and specify the time when, the place where, and the person before whom the witness is to testify, but such time and place, and the person before whom the deposition is to be taken, so specified in the Commission's order, may or may not be the same as those named in said application to the Commission.

The testimony of the witness shall be reduced to writing by the officer before whom the deposition is taken, or under his direction, after which the deposition shall be subscribed by the witness and certified in usual form by the officer. After the deposition has been so certified it shall, together with a copy thereof made by such officer or under his direction, be forwarded by such officer under seal in an envelope addressed to the Commission at its office in Washington, D. C. Upon receipt of the deposition and copy the Commission shall file in the record in said proceeding such deposition and forward the copy to the defendant or the defendant's attorney.

Such depositions shall be typewritten on one side only of the paper, which shall be not more than 8½ inches wide and not more than 11 inches long and weighing not less than 16 pounds to the ream, folio base, 17 by 22 inches, with left-hand margin not less than 1½ inches wide.

No deposition shall be taken except after at least 6 days' notice to the parties, and where the deposition is taken in a foreign country such notice shall be at least 15 days.

No deposition shall be taken either before the proceeding is at issue, or, unless under special circumstances and for good cause shown, within 10 days prior to the date of the hearing thereof assigned by the Commission, and where the deposition is taken in a foreign country it shall not be taken after 30 days prior to such date of hearing.

**Documentary Evidence**

Where relevant and material matter offered in evidence is embraced in a document containing other matter not material or relevant and not intended to be put in evidence, such document will not be filed, but a copy only of such relevant and material matter shall be filed.

**Briefs**

Unless otherwise ordered, briefs may be filed at the close of the testimony in each contested proceeding. The presiding Commissioner or examiner shall fix the time within which briefs shall be filed and service thereof shall be made upon the adverse parties.

All briefs must be filed with the Secretary and be accompanied by proof of service upon the adverse parties. Fifteen copies of each brief shall be furnished for the use of the Commission, unless otherwise ordered.

Application for extension of time in which to file any brief shall be by petition in writing, stating the facts upon which the application rests, which must be filed with the Commission at least 5 days before the time for filing the brief.

Every brief shall contain, in the order here stated:

1. A concise abstract, or statement of the case.
2. A brief of the argument, exhibiting a clear statement of the points of fact or law to be discussed, with the reference to the pages of the record and the authorities relied upon in support of each point.

Every brief of more than 10 pages shall contain on its top fly leaves a subject index with page references, the subject index to be supplemented by a list of all cases referred to, alphabetically arranged, together with references to pages where the cases are cited.

Briefs must be printed in 10 or 12 point type on good unglazed paper 8 inches by 10½ inches, with inside margins not less than 1 inch wide, and with double-leaded text and single-leaded citations.

Oral arguments will be had only as ordered by the Commission.

**Address of the Commission**

All communications to the Commission must be addressed to Federal Trade Commission, Washington, D. C., unless otherwise specifically directed.

## **APPENDIX B**

### **DIPLOMATIC REPRESENTATION, PARCEL POST COUNTRIES, AND SHIPPING DISTANCES**

#### **FOREIGN CITIES IN WHICH THERE ARE AMERICAN CONSULATES**

Consular officers endeavor to maintain and promote every rightful interest of American citizens in foreign lands and strive to procure for them all the privileges belonging to them by reason of treaty or traditional custom. Thus the consul may be a valuable source of aid and advice for the exporter and, though forbidden by law to act as agent for the sale of merchandise, may assist the American merchant in many important ways. Following is as complete and accurate a list of American consulates abroad as it is possible to publish at this time.

The consulates formerly maintained in the countries lately at war with the United States have been omitted. Authentic and up-to-date information concerning consular relationships with our late adversaries can be obtained only through the State Department at Washington, D. C.

#### **ARGENTINE REPUBLIC**

Buenos Aires

Rosario

#### **AUSTRIA-HUNGARY**

(No consulate)

#### **BELGIUM**

(No consulate)

#### **BOLIVIA**

La Paz

#### **BRAZIL**

Bahia

Para

Pernambuco

Rio de Janeiro

Santos

Sao Paulo

#### **BULGARIA**

Sofia



**CHILE**

Antofagasta  
Punta Arenas  
Valparaiso

**CHINA**

Amoy  
Antung  
Canton  
Changsha  
Chefoo  
Chungking  
Foochow  
Hankow  
Harbin  
Mukden  
Nanking  
Peking  
Shanghai  
Swatow  
Tientsin  
Tsinantu

**COLOMBIA**

Barranquilla  
Cartagena

**COSTA RICA**

Port Limon  
San José

**CUBA**

Cienfuegos  
Habana  
Nuevitas  
Santiago de Cuba

**DENMARK AND DOMINIONS**

Aalborg  
Copenhagen  
Esbjerg  
Odense

**DOMINICAN REPUBLIC**

Puerto Plata  
Santo Domingo

**ECUADOR**

Guayaquil

**FRANCE AND DOMINIONS**

Algiers, Algeria  
Bordeaux  
Brest  
Calais  
Cette  
Dakar, Senegal  
Grenoble  
Guadeloupe, West Indies  
Havre  
La Rochelle  
Limoges  
Lyon  
Marseilles  
Martinique, West Indies  
Nantes  
Nice  
Paris  
Rouen  
Saigon, Fr. Indo-China  
St. Etienne  
St. Nazaire  
St. Pierre-Miquelon  
Tahiti, Society Islands  
Tananarivo, Madagascar  
Tunis

**GERMANY**

(No consulates)

**GREAT BRITAIN AND DOMINIONS**

Adelaide, Australia  
Aden, Arabia  
Auckland, New Zealand  
Barbados, West Indies  
Belfast, Ireland  
Belize, British Honduras  
Birmingham, England  
Bombay, India  
Bradford, England

**GREAT BRITAIN AND DOMINIONS**  
(Continued)

Bristol, England  
Cairo, Egypt  
Calcutta, India  
Calgary, Alberta, Canada  
Campbellton, New Brunswick  
Cape Town, Cape of Good Hope  
Cardiff, Wales  
Charlottetown, Prince Edward Is.  
Colombo, Ceylon  
Cork (Queenstown), Ireland  
Cornwall, Ontario  
Dublin, Ireland  
Dundee, Scotland  
Dunfermline, Scotland  
Durban, Natal  
Edinburgh, Scotland  
Fernie, British Columbia  
Fort William, Ontario  
Georgetown, Guiana  
Gibraltar, Spain  
Glasgow, Scotland  
Halifax, Nova Scotia  
Hamilton, Bermuda  
Hamilton, Ontario  
Hong Kong, China  
Huddersfield, England  
Hull, England  
Johannesburg, Transvaal  
Karachi, India  
Kingston, Jamaica  
Kingston, Ontario  
Leeds, England  
Liverpool, England  
London, England  
Madras, India  
Malta, Maltese Islands

Manchester, England  
Melbourne, Australia  
Mombasa, Br. East Africa  
Moncton, New Brunswick  
Montreal, Quebec  
Nairobi, Br. East Africa  
Nassau, N. P., Bahamas  
Newcastle, Australia  
Newcastle-on-Tyne, England  
Niagara Falls, Ontario  
Nottingham, England  
Ottawa, Ontario  
Penang, Straits Settlement  
Plymouth, England  
Port Antonio, Jamaica  
Port Arthur, Ontario  
Port Elizabeth, Cape of Good Hope  
Prescott, Ontario  
Prince Rupert, Br. Columbia  
Quebec, Quebec  
Rangoon, India  
Regina, Canada  
Riviere du Loup, Quebec  
St. John, New Brunswick  
St. John's, Newfoundland  
St. Stephens, New Brunswick  
Sarnia, Ontario  
Sault Ste. Marie, Ontario  
Sheffield, England  
Sherbrooke, Quebec  
Singapore, Straits Settlements  
Southampton, England  
Stoke-on-Trent, England  
Swansea, Wales  
Sydney, Australia  
Sydney, Nova Scotia  
Toronto, Ontario  
Trinidad, West Indies  
Vancouver, British Columbia

**GREAT BRITAIN AND DOMINIONS**  
(Continued)

Victoria, British Columbia  
Windsor, Ontario  
Winnipeg, Manitoba  
Yarmouth, Nova Scotia

**GREECE**

Athens  
Patras  
Saloniki

**GUATEMALA**

Guatemala

**HAITI**

Cape Haitien  
Port au Prince

**HONDURAS**

Ceiba  
Puerto Cortes  
Tegucigalpa

**ITALY**

Catania  
Florence  
Genoa  
Leghorn  
Milan  
Naples  
Palermo  
Rome  
Turin  
Venice

**JAPAN**

Dalny, Manchuria  
Kobe  
Nagasaki  
Seoul, Chosen  
Shimonoseki  
Taihoku, Taiwan  
Yokohama

**KONGO**

Boma

**LIBERIA**

Monrovia

**MEXICO**

Acapulco, Guerrero  
Aguascalientes, Aguascalientes  
Chihuahua, Chihuahua  
Ciudad Juarez, Chihuahua  
Durango, Durango  
Ensanada, Lower Cal.  
Frontera, Tabasco  
Guadalajara, Jalisco  
Guaymas, Sonora  
Manzanillo, Colima  
Matamoros, Tamaulipas  
Mazatlan, Sinaloa  
Mexico, Mexico  
Monterey, Nuevo Leon  
Nogales, Sonora  
Nuevo Laredo, Tamaulipas  
Progreso, Yucatan  
Salina Cruz, Oaxaca  
Saltillo, Coahuila  
San Luis Potosi, San Luis Potosi  
Tampico, Tamaulipas  
Torreon, Coahuila  
Vera Cruz, Vera Cruz

**MOROCCO**

Tangier

**NETHERLANDS AND DOMINIONS**

Amsterdam  
Batavia, Java  
Curacao, West Indies  
Padang, Sumatra  
Rotterdam

**NICARAGUA**

Bluefields  
Corinto

**NORWAY**

Bergen

**NORWAY (Continued)**

Christiania  
Christiansand  
Stavanger  
Trondhjem  
Vardo

**PANAMA**

Colon  
Panama

**PARAGUAY**

Asuncion

**PERSIA**

Bushire  
Tabriz  
Teheran

**PERU**

Callao, Lima

**PORTUGAL AND DOMINIONS**

Fayal, Azores  
Funchal, Madeira  
Lisbon  
Lourenco Marques, East Africa  
St. Michael's, Azores

**RUSSIA**

Archangel  
Helsingfors, Finland  
Irkutsk  
Kief  
Moscow  
Odessa  
Petrograd (St. Petersburg)  
Riga  
Tiflis, Caucasus  
Vladivostok, Siberia  
Warsaw

**SALVADOR**

San Salvador

**SERBIA**

Belgrade

**SIAM**

Bangkok

**SPAIN AND DOMINIONS**

Almeria  
Barcelona  
Bilbao  
Gijon  
Madrid  
Malaga  
Santander  
Seville  
Teneriffe, Canary Islands  
Valencia  
Vigo

**SWEDEN**

Gothenburg  
Helsingborg  
Malmo  
Stockholm

**SWITZERLAND**

Basel  
Berne  
Geneva  
St. Gall  
Zurich

**URUGUAY**

Montevideo

**VENEZUELA**

La Guaira  
Maracaibo  
Puerto Cabello

## EMBASSIES AND LEGATIONS MAINTAINED ABROAD BY THE UNITED STATES

The following list is of countries in which the United States maintains embassies and legations. Those countries in which the representative is an ambassador extraordinary and plenipotentiary are indicated by italics. The remaining representatives are envoys extraordinary and ministers plenipotentiary. Business correspondence to representatives in the first class should be addressed to "American Ambassador"; to those in the latter class to "American Minister."

<i>Argentina (Buenos Aires)</i>	Luxemburg (See "Netherlands")
Bolivia (La Paz)	<i>Mexico (Mexico City)</i>
<i>Brazil (Rio de Janeiro)</i>	Montenegro (See "Greece")
<i>Chile (Santiago)</i>	Netherlands (The Hague—also represents Luxemburg)
China (Peking)	Nicaragua (Managua)
Colombia (Bogotá)	Norway (Christiania)
Costa Rica (San José)	Panama (Panama City)
Cuba (Habana)	Paraguay (Asuncion)
Denmark (Copenhagen)	Persia (Teheran)
Dominican Republic (San Domingo City)	Peru (Lima)
Ecuador (Quito)	Portugal (Lisbon)
<i>France (Paris)</i>	Roumania (Bucharest)
<i>Great Britain (London)</i>	<i>Russia (Petrograd)</i>
Greece (Athens—also represents Montenegro)	Salvador (San Salvador)
Guatemala (Guatemala City)	Serbia (See "Roumania")
Haiti (Port au Prince)	Siam (Bankok)
Honduras (Tegucigalpa)	<i>Spain (Madrid)</i>
<i>Italy (Rome)</i>	Sweden (Stockholm)
<i>Japan (Tokio)</i>	Switzerland (Berne)
	Uruguay (Montevideo)
	Venezuela (Caracas)

In the first two of the following countries the United States

is represented by an agent and consul-general, and in the third by a minister-resident and consul-general:

Egypt (Cairo)  
Morocco (Tangiers)  
Liberia (Moravia)

### PARCEL POST COUNTRIES

The United States has not yet concluded parcel post connections with all countries, yet most of the important places in the world may be reached by this means. Though regulations concerning the shipment of goods by parcel post vary in different countries, it may be said in general that any article admissible to the domestic mails of the United States may be sent abroad in unsealed packages by parcel post. The parcel post connections with the countries listed below include most of the colonial possessions of the countries. Specific data concerning any particular country may be easily obtained by application to the Post-Office Department. The lists of parcel post countries is as follows:

Argentina	Dominican Republic
Australia	Dutch Guiana
Bahamas	East Indies
Barbados	Ecuador
Bermuda	France
Bolivia	French Guiana
Brazil	Gibraltar
British Guiana	Great Britain (including Ireland)
China	Greece
Colombia	Guatemala
Costa Rica	Guadaloupe

Haiti	Newfoundland
Honduras (British)	New Zealand
Honduras (Republic of)	Nicaragua
Hong Kong	Panama
Italy	Peru
Jamaica	Salvador
Japan	Siam
Leeward Islands	Society Islands
Liberia	Trinidad
Martinique	Uruguay
Manchuria	Venezuela
Mexico	Windward Islands

Parcel post service with the following countries has been temporarily suspended on account of conditions arising from the war:

Austria	Hungary
Belgium	Netherlands
Chile	Norway
Denmark	Portugal
Germany	Sweden

## DISTANCES FROM NEW YORK TO PRINCIPAL PORTS OF THE WORLD

These distances comprise the shortest practicable routes, and are given in nautical miles. To convert nautical into statute miles, multiply by 1.1516.

Bahia .....	4,089	Boston .....	305
Baltimore .....	404	Buenos Aires .....	5,868
Barbados .....	1,829	Callao .....	3,363
Bermuda .....	681	Cape Town .....	6,720
Bombay .....	8,120	Charlestown .....	627

Charlottetown, P. E. I.....	1,321	Pernambuco .....	3,696
Colon .....	1,974	Philadelphia .....	235
Georgetown .....	2,217	Port Castries .....	1,747
Gibraltar .....	3,195	Portland .....	349
Habana .....	1,186	Puerto Mexico .....	1,944
Halifax .....	596	Punta Arenas .....	6,947
Hamburg .....	3,510	Quebec .....	1,321
Havre .....	3,219	Queenstown .....	2,904
Hong Kong .....	11,190	Rio de Janeiro.....	4,770
Honolulu (via Panama) ..	6,702	Saint Thomas .....	1,434
Key West .....	1,128	Saint Vincent .....	2,914
Las Palmas .....	2,965	San Francisco (via Pana-	
Liverpool .....	3,053	ma) .....	5,262
London .....	3,222	San Juan .....	1,407
Manila (via Panama) ....	11,548	Savannah .....	700
Mobile .....	1,658	Shanghai (via Panama) ..	10,649
Montevideo .....	5,768	Sydney (via Panama).....	9,811
Melbourne (via Panama) ..	10,392	Singapore .....	10,170
Naples .....	4,155	Valparaiso (via Panama) .	4,633
New Orleans .....	1,730	Yokohama .....	9,798
Newport News .....	281		



# APPENDIX C

## CURRENCY AND WEIGHT EQUIVALENTS

### FOREIGN CURRENCY EQUIVALENTS

Denomination	Value of Foreign Gold Currency at Par in Terms of U. S. Dollar	Value of U. S. Dollar at Par in Terms of Foreign Gold Currency
Balboa (Panama)	\$1.000	1.000 balboas
Bolivar (Venezuela)	.193	5.18 bolivares
Boliviano (Bolivia)	.389	2.57 bolivianos
Colon (Costa Rica)	.465	2.15 colones
Crown (Austria)	.203	4.926 crowns
Crown (Denmark)	.268	3.731 crowns
Dinar (Serbia)	.193	5.18 dinars
Dollar (Mexico)	.464	2.15 dollars
Dollar (Newfoundland)	1.000	1.000 dollar
Dollar (Salvador)	.972	1.02 dollars
Dollar (Sts. Settlements)	.567	1.764 dollars
Dollar (Elsewhere)	1.000	1.000 dollar
Drachma (Greece)	.193	5.18 drachmas
Florin or Guilder (Netherlands)	.402	2.487 florins
Franc (Belgium, France, Switzerland)	.193	5.18 francs
Gourde (Haiti)	.25	4.000 gourdes
K'ran (Keran) (Persia)	.079	12.646 k'ran
Krone (Denmark)	.268	3.731 kroner
Leo (Roumania)	.193	5.18 lei
Lev (Bulgaria)	.193	5.18 leva
Lira (Italy)	.193	5.18 lire
Lira Turca or Medjidie (Turkey)	4.4	.227 pounds
Mark (Finland)	.193	5.18 marks
Mark (Germany)	.238	4.20 marks

Denomination	Value of Foreign Gold Currency at Par in Terms of U. S. Dollar .	Value of U. S. Dollar at Par in Terms of Foreign Gold Currency
Milreis (Brazil)	.546	1.831 milreis
Milreis (Portugal)	1.08	.926 milreis
Peseta (Spain)	.193	5.18 pesetas
Peso (Argentina)	.965	1.037 pesos
Peso (Chile)	.365	2.74 pesos
Peso (Guatemala)	.972	1.02 pesos
Peso (Uruguay)	1.034	.977 pesos
Pound (Egypt)	4.943	.202 pounds
Pound (England)	4.8665	£0, 4s., 1¼d.
Ruble (Russia)	.515	1.941 rubles
Rupee (India)	.3244	3.086 rupees
Sol (Peru)	.487	2.053 sol
Sucre (Ecuador)	.487	2.053 sucre
Tael (China)	.703	1.42 taels
Tical (Siam)	.278	3.597 ticals
Yen (Japan)	.498	2.008 yen

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**VALUES OF FOREIGN COINS**  
(October 1, 1918—Facts issued by United States Treasury Department)

Country	Legal Standard	Monetary Unit	Value in U. S. Money	Remarks
Argentine Republic.....	Gold .....	Peso .....	\$0.9648	Currency: Depreciated paper, convertible at 44 per cent of face value.
Austria-Hungary .....	Gold .....	Crown .....	.2026	Greatly depreciated. No quotations.
Belgium .....	Gold and Silver.	Franc .....	.1930	Member of Latin Union; gold is the actual standard.
Bolivia .....	Gold .....	Boliviano .....	.3893	12½ bolivianos equal 1 pound sterling.
Brazil .....	Gold .....	Milreis .....	.5462	Currency: Government paper; exchange rate about 23 cents to the milreis.
British Colonies in Aus- tralia and Africa.....	Gold .....	Pound sterling..	4.8665	
Canada .....	Gold .....	Dollar .....	1.0000	
Central Amer. States:				
Costa Rica.....	Gold .....	Colon .....	.4653	Exchange rate \$0.20 = 1 colon.
British Honduras.....	Gold .....	Dollar .....	1.0000	Exchange rate \$1.00 = 1.01 cordobas.
Nicaragua .....	Gold .....	Cordoba .....	1.0000	Guatemala: Currency, inconvertible paper, exchange rate about 40 pesos equal \$1.00.
Guatemala.....	Silver .....	Peso .....	.7234	Honduras: Currency, bank notes, exchange convertible into silver at rate about \$0.40.
Honduras.....				paper; exchange rate,
Salvador.....				
Chile .....	Gold .....	Peso .....	.3650	
China .....	Silver .....	Tael: Halkwan (Customs) .....	1.2066	
		Dollar: Yuan .....	.7771	
		British .....	.7800	
		Mexican .....	.7857	
Columbia .....	Gold .....	Dollar .....	.9733	Currency: Government paper and gold; exchange rate, approximately, 1.04 pesos to \$1 gold.
Cuba .....	Gold .....	Peso .....	1.0000	Exchange rate \$0.306, 1 crown.
Denmark .....	Gold .....	Crown .....	.2680	Exchange rate \$0.36, 1 sucre.
Ecuador .....	Gold .....	Sucre .....	.4867	
Egypt .....	Gold .....	Pound (100 Pi- asters) .....	4.9431	The actual standard is the British pound sterling, which is legal tender for 97½ piasters.
France .....	Gold and Silver.	Franc .....	.1930	Member of Latin Union; gold is the actual standard.
German Empire.....	Gold .....	Mark .....	.2382	Exchange value \$0.1828.
Great Britain.....	Gold .....	Pound sterling...	4.8665	Greatly depreciated. No quotations.

## VALUES OF FOREIGN COINS (Continued)

Country	Legal Standard	Monetary Unit	Value in Terms of U. S. Money	Remarks
Greece .....	Gold and Silver.	Drachma .....	.1930	Member of Latin Union; gold is the actual exchange rate,
Haiti .....	Gold .....	Gourde .....	.2500	5.
India (British) .....	Gold .....	Rupce .....	.3244	the actual
Italy .....	Gold and Silver.	Lira .....	\$0.1930	coins. Cus-
Japan .....	Gold .....	Yen .....	.4985	actuating; is
Liberia .....	Gold .....	Dollar .....	1.0000	
Mexico .....	Gold .....	Peso .....	.4985	
Netherlands .....	Gold .....	Florin .....	.4020	
Newfoundland .....	Gold .....	Dollar .....	1.0000	
Norway .....	Gold .....	Crown .....	.2680	Exchange rate, \$0.308 = 1 crown.
Panama .....	Gold .....	Balboa .....	1.0000	Currency: Depreciated paper, exchange rate, 3,500 per cent.
Paraguay .....	Silver .....	Peso .....	.7648	Currency is silver circulating above its metallic value; exchange value of silver kran, approxi-
Persia .....	Gold and Silver.	Achrefi and Kran .....	.0959 \$.1332	mately, \$0.179.
Pern .....	Gold .....	Libra .....	4.8665	Currency: Inconvertible paper; exchange rate, approximately, \$0.62.
Philippine Islands .....	Gold .....	Peso .....	.5000	Exchange rate \$0.12 = 1 ruble.
Portugal .....	Gold .....	Escudo .....	1.0805	
Roumania .....	Gold .....	Leu .....	.1930	
Russia .....	Gold .....	Ruble .....	.5146	
Santo Domingo .....	Gold .....	Dollar .....	1.0000	
Serbia .....	Gold .....	Dinar .....	.1930	
Siam .....	Gold .....	Tical .....	.3709	
Spain .....	Gold and Silver.	Peaseta .....	.1930	Valuation is for the gold peaseta; currency is notes of the Bank of Spain; exchange value, approximately, \$0.23.
Straits Settlements .....	Gold .....	Dollar .....	.3678	Exchange rate, \$0.335 = 1 crown.
Sweden .....	Gold .....	Crown .....	.2680	Member of Latin Union; gold is the actual
Switzerland .....	Gold .....	Franc .....	.1930	standard. Exchange value, \$0.225.
Turkey .....	Gold .....	Plaster .....	.0440	100 piasters equal to the Turkish £.
Uruguay .....	Gold .....	Peso .....	1.0342	Exchange rate, \$1.00 = 0.805 pesos.
Venezuela .....	Gold .....	Bolivar .....	.1930	

The exchange rates shown furnish an indication of the values of currencies which are fluctuating in their relation to the legal standard.

CONVERSION TABLES  
AVOIRDUPOIS POUNDS TO KILOGRAMS

(Reduction factor: 1 avoirdupois pound = 0.4535924277 kilogram.)

Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos
0	0.45359	40	18.14370	80	36.28739	120	54.43109	160	72.57479	200	90.71849
1	0.90718	1	18.59729	1	36.74099	1	54.88468	1	73.02838	1	91.17208
2	1.36078	2	19.05088	2	37.19458	2	55.33828	2	73.48197	2	91.62567
3	1.81437	3	19.50447	3	37.64817	3	55.79187	3	73.93557	3	92.07926
4	2.26796	4	19.95807	4	38.10176	4	56.24546	4	74.38916	4	92.53286
5	2.72155	5	20.41166	5	38.55536	5	56.69905	5	74.84275	5	92.98645
6	3.17515	6	20.86525	6	39.00895	6	57.15265	6	75.29634	6	93.44004
7	3.62874	7	21.31884	7	39.46254	7	57.60624	7	75.74994	7	93.89363
8	4.08233	8	21.77244	8	39.91613	8	58.05983	8	76.20353	8	94.34722
9		9	22.22603	9	40.36973	9	58.51342	9	76.65712	9	94.80082
10	4.53592	50	22.67962	90	40.82332	130	58.96702	170	77.11071	210	95.25441
1	4.98952	1	23.13321	1	41.27691	1	59.42061	1	77.56431	1	95.70800
2	5.44311	2	23.58681	2	41.73050	2	59.87420	2	78.01790	2	96.16159
3	5.89670	3	24.04040	3	42.18410	3	60.32779	3	78.47149	3	96.61519
4	6.35029	4	24.49399	4	42.63769	4	60.78139	4	78.92509	4	97.06878
5	6.80389	5	24.94758	5	43.09128	5	61.23498	5	79.37867	5	97.52237
6	7.25748	6	25.40118	6	43.54487	6	61.68857	6	79.83227	6	97.97596
7	7.71107	7	25.85477	7	43.99847	7	62.14216	7	80.28586	7	98.42956
8	8.16466	8	26.30836	8	44.45206	8	62.59576	8	80.73945	8	98.88315
9	8.61826	9	26.76195	9	44.90565	9	63.04935	9	81.19304	9	99.33674
20	9.07185	60	27.21555	100	45.35924	140	63.50294	180	81.64664	220	99.79033
1	9.52544	1	27.66914	1	45.81284	1	63.95653	1	82.10023	1	100.24393
2	9.97903	2	28.12273	2	46.26643	2	64.41012	2	82.55382	2	100.69752
3	10.43263	3	28.57632	3	46.72002	3	64.86372	3	83.00741	3	101.15111
4	10.88622	4	29.02992	4	47.17361	4	65.31731	4	83.46101	4	101.60470
5	11.33981	5	29.48351	5	47.62720	5	65.77090	5	83.91460	5	102.05830
6	11.79340	6	29.93710	6	48.08080	6	66.22449	6	84.36819	6	102.51189
7	12.24700	7	30.39069	7	48.53439	7	66.67809	7	84.82178	7	102.96548
8	12.70059	8	30.84429	8	48.98798	8	67.13168	8	85.27538	8	103.41907
9	13.15418	9	31.29788	9	49.44157	9	67.58527	9	85.72897	9	103.87267
30	13.60777	70	31.75147	110	49.89517	150	68.03886	190	86.18256	230	104.32626
1	14.06137	1	32.20506	1	50.34876	1	68.49246	1	86.63615	1	104.77985
2	14.51496	2	32.65865	2	50.80235	2	68.94605	2	87.08975	2	105.23344
3	14.96855	3	33.11225	3	51.25594	3	69.39964	3	87.54334	3	105.68704
4	15.42214	4	33.56584	4	51.70954	4	69.85323	4	87.99693	4	106.14063
5	15.87573	5	34.01943	5	52.16313	5	70.30683	5	88.45052	5	106.59422
6	16.32933	6	34.47302	6	52.61672	6	70.76042	6	88.90412	6	107.04781
7	16.78292	7	34.92662	7	53.07031	7	71.21401	7	89.35771	7	107.50141
8	17.23651	8	35.38021	8	53.52391	8	71.66760	8	89.81130	8	107.95500
9	17.69010	9	35.83380	9	53.97750	9	72.12120	9	90.26489	9	108.40859

CONVERSION TABLES (Continued)

KILOGRAMS TO AVOIRDUPOIS POUNDS

(Reduction factor: 1 kilogram = 2.204622341 avoirdupois pounds.)

Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds	Kilos	Pounds
0		40	88. 1849	80	176. 3698	120	264. 5547	160	352. 7396	200	440. 9245	240	529. 1094
1	2. 2046	1	90. 3895	1	178. 5744	1	266. 7593	1	354. 9442	1	443. 1291	1	531. 3140
2	4. 4092	2	92. 5941	2	180. 7790	2	268. 9639	2	357. 1488	2	445. 3337	2	533. 5186
3	6. 6139	3	94. 7988	3	182. 9837	3	271. 1685	3	359. 3534	3	447. 5383	3	535. 7232
4	8. 8185	4	97. 0034	4	185. 1883	4	273. 3732	4	361. 5581	4	449. 7430	4	537. 9279
5	11. 0231	5	99. 2080	5	187. 3929	5	275. 5778	5	363. 7627	5	451. 9476	5	540. 1325
6	13. 2277	6	101. 4126	6	189. 5975	6	277. 7824	6	365. 9673	6	454. 1522	6	542. 3371
7	15. 4324	7	103. 6173	7	191. 8021	7	279. 9870	7	368. 1719	7	456. 3568	7	544. 5417
8	17. 6370	8	105. 8219	8	194. 0068	8	282. 1917	8	370. 3766	8	458. 5614	8	546. 7463
9	19. 8416	9	108. 0265	9	196. 2114	9	284. 3963	9	372. 5812	9	460. 7661	9	548. 9510
10		50	110. 2311	90	198. 4160	130	286. 6009	170	374. 7858	210	462. 9707	250	551. 1556
1	22. 0462	1	112. 4357	1	200. 6206	1	288. 8055	1	376. 9904	1	465. 1753	1	553. 3602
2	24. 2508	2	114. 6404	2	202. 8253	2	291. 0101	2	379. 1950	2	467. 3799	2	555. 5648
3	26. 4555	3	116. 8450	3	205. 0299	3	293. 2148	3	381. 3997	3	469. 5846	3	557. 7695
4	28. 6601	4	119. 0496	4	207. 2345	4	295. 4194	4	383. 6043	4	471. 7892	4	559. 9741
5	30. 8647	5	121. 2542	5	209. 4391	5	297. 6240	5	385. 8089	5	473. 9938	5	562. 1787
6	33. 0693	6	123. 4589	6	211. 6437	6	299. 8286	6	388. 0135	6	476. 1984	6	564. 3833
7	35. 2740	7	125. 6635	7	213. 8484	7	302. 0333	7	390. 2182	7	478. 4030	7	566. 5879
8	37. 4786	8	127. 8681	8	216. 0530	8	304. 2379	8	392. 4228	8	480. 6077	8	568. 7926
9	39. 6832	9	130. 0727	9	218. 2576	9	306. 4425	9	394. 6274	9	482. 8123	9	570. 9972
20		60	132. 2773	100	220. 4622	140	308. 6471	180	396. 8320	220	485. 0169	260	573. 2018
1	44. 0924	1	134. 4820	1	222. 6669	1	310. 8518	1	399. 0366	1	487. 2215	1	575. 4064
2	46. 2971	2	136. 6866	2	224. 8715	2	313. 0564	2	401. 2413	2	489. 4262	2	577. 6111
3	48. 5017	3	138. 8912	3	227. 0761	3	315. 2610	3	403. 4459	3	491. 6308	3	579. 8157
4	50. 7063	4	141. 0958	4	229. 2807	4	317. 4656	4	405. 6505	4	493. 8354	4	582. 0203
5	52. 9109	5	143. 3005	5	231. 4853	5	319. 6702	5	407. 8551	5	496. 0400	5	584. 2249
6	55. 1156	6	145. 5051	6	233. 6900	6	321. 8749	6	410. 0598	6	498. 2446	6	586. 4295
7	57. 3202	7	147. 7097	7	235. 8946	7	324. 0795	7	412. 2644	7	500. 4493	7	588. 6342
8	59. 5248	8	149. 9143	8	238. 0992	8	326. 2841	8	414. 4690	8	502. 6539	8	590. 8388
9	61. 7294	9	152. 1189	9	240. 3038	9	328. 4887	9	416. 6736	9	504. 8585	9	593. 0434
30		70	154. 3236	110	242. 5085	150	330. 6934	190	418. 8782	230	507. 0631	270	595. 2480
1	66. 1387	1	156. 5282	1	244. 7131	1	332. 8980	1	421. 0829	1	509. 2678	1	597. 4527
2	68. 3433	2	158. 7328	2	246. 9177	2	335. 1026	2	423. 2875	2	511. 4724	2	599. 6573
3	70. 5479	3	160. 9374	3	249. 1223	3	337. 3072	3	425. 4921	3	513. 6770	3	601. 8619
4	72. 7525	4	163. 1421	4	251. 3269	4	339. 5118	4	427. 6967	4	515. 8816	4	604. 0665
5	74. 9572	5	165. 3467	5	253. 5316	5	341. 7165	5	429. 9014	5	518. 0963	5	606. 2711
6	77. 1618	6	167. 5513	6	255. 7362	6	343. 9211	6	432. 1060	6	520. 2909	6	608. 4758
7	79. 3664	7	169. 7559	7	257. 9408	7	346. 1257	7	434. 3105	7	522. 4955	7	610. 6804
8	81. 5710	8	171. 9604	8	260. 1454	8	348. 3303	8	436. 5151	8	524. 7001	8	612. 8850
9	83. 7756	9	174. 1650	9	262. 3500	9	350. 5350	9	438. 7197	9	526. 9047	9	615. 0896

## APPENDIX D

### SUGGESTIVE INVESTIGATION CHARTS

#### INVESTIGATOR'S INSTRUCTION SHEETS

The investigator of a foreign market will minimize the danger of overlooking essential sources of information if he is provided at the outset with standardized instructions which will designate all the different kinds of sources from which he will ordinarily be expected to gather his facts.

His task will be further simplified if he is also provided with the name and location of each of the bureaus, consular offices, banks, and other sources which he is expected to visit. To these he will be able to add other sources which he will have visited on his own initiative and his sheet may be expanded indefinitely. No investigator can consider his work completed until he has exhausted the possibilities of more than one source under each head.

For convenience five distinct forms, each representing the sources of the different classes of information are presented on the following pages. In practice a single combined chart will be found equally effective.



#### INVESTIGATOR'S ANALYSIS SHEET

The next step is to supply the investigator with a list of the topics on which specific information is required and to tell him

Article .....	Location .....
Grade .....	De
Market .....	me

Investigator's Instruction Sheet





which of the sources on his instruction sheet may be expected to supply such data. This list of topics will be found on the “Investigator’s Analysis Sheet” which follows, with the probable sources of information indicated in the first column at the right of the topic. The information itself is recorded in the second column.

To illustrate: The first specific information called for on the analysis sheet is the “Nature of Demand.” The United States Department of Commerce at Washington may be expected to tell whether the demand is local or general by reference to its consular reports. Mention of this department will be found on the investigator’s instruction sheet—Classification B, Column I. It may be designated on the analysis sheet as “B I.”

Since the American consul at the chief seaport of the foreign market may have some personal information which will throw light on this same inquiry, we may also include him as a source, designating him as “C II.”

INVESTIGATOR’S ANALYSIS SHEET		
I. DEMAND	Source	Information
(a) Nature		
(b) Quality		
(c) Extent (Quantity)		
(d) Potential (Latent)		
(e) How Best Fostered		
(f) How Best Created		
(g)		
(h)		
2. SUPPLY		
(a) Nature		
(b) Quality		
(c) Extent		

Investigator’s Analysis Sheet

	Source	Information
<b>2. SUPPLY (Continued)</b> (d) Principal Sources (e) Is There Overproduction? (f) (g)		
<b>3. STRUCTURE OF MARKET</b> (a) Machinery of Distribution (b) Import Policies (c) Terms of Sale (d) Credit Conditions (e) (f)		
<b>4. PSYCHOLOGY OF MARKET</b> (a) Stable or Changeable (b) Reliable or Unreliable (c) Attitude of Government (d) Attitude of People (e) (f)		
<b>5. STATUS OF MARKET</b> (a) Political (b) Governmental (c) Legal (d) Economic (e) Financial (f) Social (g) Commercial (h) (i)		
<b>6. METHODS OF DISTRIBUTION</b> (a) Competitor's Methods (b) Criticisms (c) Best Method for This Product (d) (e)		

	Source	Information
<b>7. TERMS OF SALE</b> (a) Prices (b) Margin of Profit (c) Discount (d) Commissions (e) Credit Customs (f) (g)		
<b>8. ADVERTISING</b> (a) Kinds (b) Papers (c) Cost (d) Nature (e) Extent (f) Catalogues (g) Circulars (h) (i)		
<b>9. CAPITAL REQUIRED FOR</b> (a) Advertising (b) Agencies (c) Sales (d) Credits (e) Organization (f) Banks (Am. Foreign Branches) (g) (h)		
<b>10. TARIFF, TRANSPORTATION, AND MISCELLANEOUS COMMERCIAL LAWS</b> (a) Tariff Rates (b) Best Transportation Routes (c) Transportation Rates (d) Local Requirements (e) Consular and Shipping Requirements		

Investigator's Analysis Sheet (Continued)

<b>10. TARIFF, TRANSPORTATION, AND MISCELLANEOUS COMMERCIAL LAWS (Cont.)</b> (f) (g)	<b>Source</b>	<b>Information</b>
<b>11. MISCELLANEOUS INFORMATION</b> (a) Packing Rules (b) Special Production Demands (c) Principal Competitors (d) (e) (f)		

Investigator's Analysis Sheet (Continued)

INVESTIGATOR'S SUMMARY OF ANALYSIS SHEET (FOR THE EXECUTIVE)

At the end of the investigation a summary of the analysis sheet with its concise comments may serve as a handy reference device for the executive.

The comment on this sheet, however, must be supported by detailed and comprehensive reports covering the entire topic, indicating all sources of information and presenting the complete evidence on which the conclusion arrived at by the investigator has been based. These detailed reports may be considered of a confidential nature and should be kept in a separate file where they are available for the use of the executive only.



## SUPPLEMENTARY TOPICS FOR INVESTIGATION

The following subjects may profitably be treated in a full supplementary report by the investigator. They cannot readily be put into the chart form, but may constitute an important portion of the investigation. The material presented here is suggestive in character rather than conclusive in any sense.

### 1. IN CONNECTION WITH THE PROBLEM OF PRODUCTION

- (a) Number of other companies in the field.
- (b) Location of their plants.
- (c) Present volume of production in this particular line.
- (d) Availability and condition of raw materials.
- (e) Export potentiality.

### 2. LEGISLATION, REGULATIONS, OR INDUSTRIAL CONDITIONS INFLUENCING OR BEARING ON THE COMMODITY

- (a) Climatic conditions.
- (b) Traffic conditions.
- (c) After- and pre-war situations as affecting this particular commodity.
- (d) Present market status—governmental, geographic, and legislative.
- (e) Restrictions on or aids to commerce.
- (f) Pre-war or recent lights on labor in all industrial fields.

### 3. SELLING METHODS

- (a) General sales conditions in this particular industry.
- (b) Ways and means used by competitive manufacturers.
- (c) Enterprise and service suggestions.

### 4. PRICES

- (a) Quotations of competing lines.
- (b) Comparison of prices—as to better or lesser rated goods.

### 5. DISTRIBUTION DIFFICULTIES AND ADVANTAGES

- (a) Channels of distribution.
- (b) Other methods of distribution.
- (c) Methods of overcoming obstacles to distribution.
- (d) Cheapening the processes of distribution.

**6. METHODS OF MEETING "KICKS" OR "UNSATISFACTORY GOODS" PROBLEM**

- (a) Plans to eliminate poor merchandise.
- (b) Experience others have had in perfecting products.
- (c) Packaging and retail education.

**7. COMPETITION**

- (a) Briefs of leading firms in the industry.
- (b) Status of their goods in open markets.
- (c) Value of competitor's goods to consumer.
- (d) Strength and weakness of competitor's methods.
- (e) How long competitors have been in the market.
- (f) Similar products manufactured, if any.
- (g) Retail and wholesale price of similar products.

**8. CONSUMPTION**

- (a) Survey of per capita use.
- (b) Zone consumption as applied naturally.
- (c) Diagnosis of best sellers and desirable items.
- (d) Statistical table of consumption by years.
- (e) Potential purchasing power of consuming classes.
- (f) Percentage of literate and illiterate consumers.
- (g) Characteristics and customs peculiar to consuming classes.
- (h) Appeal of the product—as a luxury or a necessity.

**9. ADVERTISING**

- (a) How, where, when, and what to advertise.
- (b) Possible costs and relative return of tentative advertising.
- (c) Competitor's use of advertising.
- (d) Comparison of window, bill-board, car, newspaper, magazine, special device, and sampling methods of publicity.
- (e) Co-operation of press—general or only through advertising pages.
- (f) Value of local color.

**10. TRADE-MARK VALUE AND GOOD-WILL BUILDING****11. FUTURE OUTLOOK FOR INDUSTRY AS A WHOLE****12. TRADE-MARK AND PATENT LAWS**



## APPENDIX E

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The Department of State, Washington, D. C.

Foreign Departments of Banks.

## APPENDIX F

### GLOSSARY

**A. A. R.** "Against all risks." Insurance term equivalent to "With Average" and opposed to "F. P. A."

**ACCEPTANCE.** Admission of liability and engagement to pay by drawee of after-sight or after-date draft; effected by drawee's signing his name, the date, and the amount across the face of the draft.

**BANK.** Draft by shipper on bank with which importer has established credit. It is accepted by bank and is then negotiable. The bank which acts thus may be in country of destination or in country of export.

**TRADE.** An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay at a fixed or determinable future time a certain sum in money to the order of a specified person. The bill must be drawn by the seller on the purchaser of goods sold, and accepted by such purchaser. (Definition by Federal Reserve Board.)

**ACT OF GOD.** See "Force Majeure."

**AGIO.** Difference between the real and the nominal value of money. When paper currency is depreciated, the agio represents the premium at which gold stands as compared with paper.

**AMERICAN EXPOSITION.** A permanent exhibition of American goods in a central city of the foreign country. Experiments in Caracas and Shanghai are failures. The idea of such an exposition maintained by American exporters has been repeatedly advocated but with little success.

**ARBITRAGE.** Buying securities or produce in one market and at the same time instructing agents in another market by telegraph to sell them. By this manipulation a profit is made due to the difference in price.

**AVERAGE.** See "General Average," "F. P. A.," and "W. A."

**AVERAGE BOND.** Agreement signed by shippers liable for contributions to a general average adjustment. By it they receive cargo for

a promise to pay general average as soon as ascertained. See "General Average."

**BARRATRY OF THE MASTER AND MARINERS.** Any wrongful act committed by the master or crew of a vessel to the prejudice of the owner or charterer. If the owner connives, the act is not barratry but fraud.

**BILL OF EXCHANGE.** See "Draft."

**BILL OF LADING.** Steamship or railway company's receipt for goods shipped over its route. Possession of a bill of lading properly drawn to a shipper's own order or to a specifically named consignee conveys corresponding ownership of the goods represented by it. It is not a negotiable instrument in the strict sense—though negotiable bill of lading is a common term—because the holder, even though he take it in good faith and for value, has no better title than the transferrer had. Frequently the bill of lading must be certified to by the consul of the country to which the shipment is made.

**CLEAN.** One against which the shipping company has not noted flaws in the packing of all or part of the shipment.

**DIRECT.** One which is made to consignee instead of to shipper's order. The consignee takes title to the shipment as soon as it is placed in the custody of the shipping company.

**FOUL.** One against which the shipping company has noted flaws in packing.

**NEGOTIABLE.** One which has been indorsed by the shipper, if the bill is made to shipper's own order, or which lacks the stamp "Copy, non-negotiable," if the bill is made directly to consignee.

**ORDER.** One which is made out to shipper's own order, instead of directly to consignee. The bill will be delivered to consignee only upon fulfilment by him of conditions set forth by shipper in his instructions to his banker. Shipper holds title until the documents are delivered to the buyer.

**BONDED WAREHOUSE.** Place sanctioned by customs authorities for deposit of goods without payment of duties until they are removed.

**BOTTOMRY BOND.** Document given by the captain of a ship in order to get money for immediate repairs. Payment for the bond is enforceable only if the ship reaches port safely and when the consideration has been of benefit.

**C. A. F.** "Cost and freight." Same as "C. F." and "C. & F." Terms

quoted C. A. F. include cost and freight. The abbreviation ought not to be used for fear of confusion with "Cost, assurance, freight."

**CAMBIST.** One who exchanges foreign money or deals in foreign notes or bills of exchange.

**CASH ON DELIVERY OF DOCUMENTS.** A C. O. D. transaction. Cash may be paid shipper on delivery of shipping documents to the purchaser's bank in the country of export or when documents are delivered to purchaser, in which case payment may be made by a bank in the country of destination.

**CERTIFICATE OF ORIGIN.** Statement that goods in question are the product or manufacture of the United States and of no other country. It must be made before the consul of the country to which goods are shipped and certified to by him. When consular invoices are required at the point of entry, these serve the same purpose—to control tariff treatment.

**C. F.** "Cost and freight," same as "C. A. F."

**CHARTER PARTY.** Lease or contract made with the owner of a vessel, whether it be for a trip or for a period, for cargo or for passengers.

**CHICANEURS.** Persons habitually inclined to take advantage of every technicality.

**C. I. F.** "Cost, insurance, freight."

**C. I. F. & E.** "Cost, insurance, freight, and exchange."

**CLEARANCE.** See "Shipper's Manifest."

**COLONIAL CLAUSE.** This clause is attached to drafts on South African and Australasian points. It requires that drawee pay exchange (plus English and Colonial stamps) at the current rate in London for negotiating bills on the Colonies. In New York the exchange between New York and London only is calculated.

**CONFIRMED CREDIT.** Letter from an American bank which has been authorized by a foreign house (buyer) to pay an American manufacturer (seller) a certain sum under definite conditions. The bank confirms this credit by writing to the seller and stating the sum and the conditions on which it is instructed to pay; the seller is sure of his money if he complies with the terms mentioned.

**CONSIGNEE.** One to whom goods are shipped. This is the broadest definition. More specifically, the term is used of one to whom

goods are sent at the shipper's risk—one who does not buy outright.

**CONSTRUCTIVE TOTAL LOSS.** A loss in which the property, though damaged only slightly, is of no value to the owner.

**CONSULAR DOCUMENTS.** See "Bill of Lading," "Certificate of Origin," "Consular Invoice," and "Non-Dumping Certificate."

**CONSULAR INVOICE.** Detailed statement regarding the character of the goods shipped. Frequently it must be prepared in the language of the country to which the shipment is made and always it must be certified by the consul at the port of exit. The blanks for consular invoices can usually be obtained at the consulate, where they are sold by the set at a small price.

**COUNTERVAILING DUTY.** Customs tax placed on imports so as to place them on a parity with domestic goods which pay an excise tax.

**CREDIT.** See "Confirmed Credit," "Irrevocable Credit," and "Letter of Credit."

**CUSTOM HOUSE CLEARANCE.** See "Shipper's Manifest."

**CWT.** Hundredweight: 112 lbs. in the British system, which is commonly used.

**D. A.** Documents for acceptance; instructions of shipper to banker to deliver bill of lading when buyer accepts the draft. The other course is to instruct "D. P.," that is, "documents for payment of draft."

**DEL CREDERE.** If an agent securing an order guarantees payment, he is a del credere agent and his additional commission for this guaranty is a del credere commission.

**DEMURRAGE.** Penalty, agreed to in charter, to be paid by charterers of a ship to owners when the vessel is delayed beyond the agreed-upon number of lay days, that is, days for loading and unloading.

**DISCOUNT.**

**COMMERCIAL.** An allowance from the quoted price of goods, made usually by taking off a certain percentage from the invoice price. Commercial discount may be a trade discount, that is, an allowance made to tradespeople, as for instance to wholesalers buying in large lots, or it may be a cash discount given for the payment of the account within a stated period.

**FINANCIAL.** Deductions from the face value of commercial paper, such as bills of exchange, in consideration of receiving

cash before due date. For instance, when the holder of a bill of exchange is desirous of obtaining money for it, instead of waiting until the due date of payment arrives, he sells his bill at a price less than its face value and for the consideration received he parts with all the rights of ownership in the paper. The rates of discount vary according to the state of the money market, the financial standing of the persons on whom the bill is drawn or who are parties to the bill, and other circumstances surrounding the transaction.

**DISHONOR.** Refusal on the part of the person on whom the draft is drawn to accept the same or to pay after the draft has been accepted, or a refusal to pay a draft on the date when it falls due and is presented for payment. See also "Protest."

**DOLLAR EXCHANGE.** Opposed to sterling exchange. Exchange is now regularly quoted in pounds sterling, and the quotation in dollars is not likely ever to take the place of sterling exchange.

**D. P.** Documents for payment; instructions of shipper to banker to deliver bill of lading only when draft has been paid. Opposed to "D. A."

**DRAFT.**

**BILL OF EXCHANGE.** An unconditional order in writing signed by the person giving it and requiring the person to whom it is addressed (on whom it is drawn) to pay on demand or at a fixed date a definite sum to the order of a specific person or bearer. Foreign drafts are almost invariably accompanied by shipping documents which insure that the order to pay will be honored or that the sum can be recovered on the goods covered in the shipping order. Hence they are readily negotiable.

**CLEAN.** Acceptance by importer of seller's draft, in the same manner as domestic trade acceptances.

**DOCUMENTARY.** One accompanied by shipping documents to insure that these will not be surrendered until the buyer has met the terms of the draft.

**DRAWBACK.** Refund, paid to a manufacturer by the United States government, of 99 per cent of duties on material entering into the making of goods for export. The manufacturer receives the drawback whether or not he was the importer. A claim must be filed with the collector of customs at the port of exportation before the goods are actually shipped. Rules and regulations regarding this matter can be obtained from the United States

Department of the Treasury, Washington, D. C., or from an attorney specializing in this matter. The law of drawback appears in Appendix A.

**DUMPING.** Practice of throwing goods on a foreign market at cut rates in order to diminish an oversupply in the domestic market and thus maintain prices. See "Non-Dumping Certificate."

**ENDORSEMENT.** See "Indorsement."

**E. & O. E.** "Errors and omissions excepted," phrase prefacing shipper's signature on invoice.

**F. A. S.** "Free alongside" (vessel). The seller delivers the goods alongside on a lighter or on the receiving pier, but the quotation excludes extra loading charges which may be due to the unusual weight of the shipment. Such charges are then on buyer.

**F. O. B.** "Free on board." Shipper assumes all charges until shipment is on vessel, but none thereafter. The following variations of this term are used, but are confusing and ought to be avoided.

**F. O. B. DESTINATION.** Seller pays all costs and assumes all risks until the goods reach the place of delivery agreed upon.

**F. O. B. FACTORY.** Goods will be placed free on railroad cars at factory.

**F. O. B. NEW YORK.** Shipper assumes railroad charges to New York, but not lighterage or cartage there.

**FORCE MAJEURE.** Act of God. A fortuitous event which comes without design, foresight, or expectation. If a contract does not provide exception due to force majeure, British and American courts hold the seller liable, but continental courts do not.

**F. P. A.** "Free of particular average." To avoid petty claims, insurance policies on goods slightly damaged in the course of a voyage provide that no claim shall be paid unless it amounts to a certain percentage of the value of such articles. This percentage is known as the franchise. F. P. A. is opposed to "A. A. R." and to "W. A."

**GENERAL AVERAGE.** All loss arising out of a voluntary sacrifice (jettison) made of any part of the ship or cargo to prevent loss of the whole or to rescue the whole adventure from unusual peril. This loss is apportioned over all shippers on the vessel, even the lost cargo bearing its share. Until this assessment is paid, a lien lies against the goods.



**Go-Downs.** Bankers' warehouses in which they keep goods until consignee discharges his obligation.

**GROSS WEIGHT.** Weight of the package as shipped. It is important to differentiate gross, legal, and net weight because of the customs requirements of the various countries. Moreover, each country will have its own definition of these terms. It will therefore be advisable to consult the tariff act of each country to which shipments are made.

**HUNDREDWEIGHT.** See "Cwt."

**HYPOTHECATION.** A draft drawn by shipper is offered to bankers who hypothecate it, that is, advance cash to drawer (minus interest and commissions) and, taking bills of lading as security, wait to collect from drawee. In some cases, banks require a letter of hypothecation setting forth their rights to sell goods in case drawee does not pay, or to reinsure in case cargo is insufficiently insured, etc. Such letters, however, are not required in law.

**IN CASE OF NEED.** Shippers doing a large business at a given foreign port instruct their bankers to apply, in case of a protested draft or acceptance, to some agent of the shippers who will not necessarily take up the paper but will make arrangements for it. The phrase is the regular form used in notification to the bankers of the name and address of the agent.

**INCONVERTIBLE PAPER CURRENCY.** Paper money which cannot be accepted at face value.

**INDENT.** A list of goods sent by the overseas buyer to his agent abroad for purchase to the best advantage. Usually it is an order given to a commission house by its customer abroad.

**INDENT MERCHANT.** Solicits orders on basis of sample or catalogue, puts through consolidated order, and apportions goods when received on basis of individual orders. Never buys on own account.

**INDORSEMENT.** A signature on the back of an instrument, whether it is a bill of exchange, a promissory note, or other negotiable paper. An indorsement is made primarily for the purpose of transferring the rights of the holder to some other person. It is a contract between the holder and all the parties to the instrument. Each indorser, by his indorsement, does two things: he orders the antecedent parties to pay to his indorsee; he also agrees with the indorsee that if they do not pay, he will.

**IN BLANK.** One in which only the name of the indorser is written.

**IN FULL.** One in which mention is made of the indorsee. "Pay to the order of John Smith," followed by the signature of the indorser, is the general form of the indorsement in full.

**IRREVOCABLE CREDIT.** Term arising from war conditions and perhaps not in permanent use. Meaning varies. Generally same as "Confirmed Credit," except that shipper has indefinite time in which to present his shipping documents.

**JETTISON.** Throwing overboard part of the cargo or equipment of a ship in order to save the rest from marine disaster. For insurance provisions in such a case see also "General Average."

**LEGAL WEIGHT.** Weight of the goods themselves, plus their immediate containers, as cartons, etc. Each country will, however, define gross, legal, and net weight in its own fashion in its tariff laws. Reference should therefore be made to the law of each country to which shipments are made.

**LETTER OF ADVICE.** Letter of financial and shipping advice. Statement sent by shipper to customer, informing him of ship used, insurance arrangements, and draft drawn.

**LETTER OF ASSURANCE.** Permission from a government to ship a given cargo to a given country. This requirement is a result of war conditions. It was first applied to shipments from the United States to the Scandinavian countries, for which British permission was required.

**LETTER OF CREDIT.** In international trade this term has a different meaning from the usual one. It is an order given by a person in one place authorizing the banker in another place to pay a specified person a certain sum on the delivery of certain documents or the performance of certain conditions. The authorization may be addressed to the payee advising him that he may draw on the bank under the conditions stated. In either case this type of letter of credit is called "documentary," as distinguished from the usual form called an "open letter of credit" used by salesmen, travelers, etc. The documentary letter of credit is used when an importer is buying goods in a country where he is not known. Through the letter he opens an account in a bank of the country where the seller resides and the bank is instructed, under the terms of the letter, to honor all bills and drafts upon the depositor by the seller, if certain documents of

title to the goods named are sent to the bank with the draft. In this way the seller is secured from the time the order is given and the buyer may be specially benefited as the goods can be examined before they are paid for.

**LETTER OF INDEMNITY.** Certificate given steamship company by shipper to avoid a foul bill of lading. It agrees that no claim will be entered by shipper for damage to any article which the company finds improperly packed.

**LETTER OF LIEN.** Consignee's admission of bank's claim to title in goods. In exchange for this letter the consignee receives the shipping documents and is enabled to get the goods.

**LIGHTERAGE.** Cost of loading or unloading a vessel by means of barges bringing goods alongside vessel.

**FREE.** Term indicating that shipper assumes cost of lighters if required in the foreign harbor. As applied to export shipments from the interior of the United States to New York, the term means that railroad rates quoted on carload lots of most goods include cost of putting goods alongside vessel. In this use lighterage includes cartage and ferriage.

**LLOYDS, CORPORATION OF.** An association of about 400 London underwriters, who underwrite, that is, sign, insurance policies for all kinds of marine and other unusual risks. Often this underwriting is done jointly, from 5 to 10 underwriters signing for a definite share of the risk. The pre-eminent position of Lloyds is due to the remarkably complete system of information maintained by the association, which has its agents in every part of the globe and collects every kind of information of use to marine insurance agents.

**MANIFEST.** See "Shipper's Manifest."

**MARINE INSURANCE POLICY.** A contract of indemnity by which the insurance company engages for a certain sum payable in advance to refund the amount of loss arising from such casualty as may be insured against. Marine insurance is more extensive than other kinds because it may provide not merely for losses arising from fire, but from piracy, wreck, and generally all injuries sustained at sea. There are a number of different policies or contracts of marine insurance. The ordinary policy excludes claims for damages on certain kinds or classes of goods, which must be specially insured. See "F. P. A.," "General Average," "W. A."

**NET WEIGHT.** Weight of the articles unpacked, or in their immediate containers. In connection with weights, reference should be made to the tariff laws of each country to verify the definitions.

**NON-DUMPING CERTIFICATE.** Statements, required by certain British colonies, to the effect that the prices and discounts shown on invoices are those obtaining in the country of the seller. If this is not the case, then the open market price and the usual discount for the quantity in question, if sold at home, must be stated in columns parallel to those showing export prices and discounts.

**NOTIFY CLAUSE IN ORDER BILLS OF LADING.** Requests delivering steamship agent to notify consignee of arrival of goods, which are of course not delivered to consignee until he can present bill of lading properly indorsed. A similar request to notify is sometimes made of a steamship agent at transshipping point in order that consignee may learn approximate arrival date.

**OPEN POLICY OF INSURANCE.** Contract between the insurance company issuing the same and the shipper, by which the insurance company binds itself to protect by insurance, in accordance with the conditions of the policy, all shipments made by the insured. This is done automatically from the moment the shipment leaves the factory, store, or warehouse at initial shipping point. The policy remains in force continuously until goods are delivered to the factory, store, or warehouse, at destination. It is required that the assured shall report all shipments to the insurance company as soon as practicable, and at the end of each month pay the premium on the shipments reported in accordance with the schedule of rates attached to the policy.

**PARCEL RECEIPT.** Receipt issued by a steamship company when small packages are shipped, usually containing samples. The goods shipped on "parcel receipt" are kept apart from the general cargo and can be had by the consignee immediately on the arrival of the ship. Some countries require consular invoices.

**PARITY.** Prices of American securities as quoted on the London Stock Exchange, expressed in dollars.

**PARTICULAR AVERAGE.** See "F. P. A." and "W. A."

**PERILS OF THE SEA.** It is these that a simple marine policy insures against. They include only such losses as are directly due to being at sea, and not all of these; wear and tear at sea and other foreseeable losses are excluded, as are deterioration to perishable goods, breakage, leakage, and robbery.

**PER PROCURATION SIGNATURE.** Signature of an authorized agent for his principal. Legally, such signature is valid only to the extent of the authorization, but generally it is regarded as indicating that full authority covering all points has been given.

**PRIMAGE.** Originally a present to master and crew, now simply an addition to the rates quoted by the steamship companies. This addition stated in the quotation, is 5 or 10 per cent of the rate mentioned. The practice is dying out.

**PRODUCE EXCHANGE.** Market for exchange of goods or produce, corresponding to stock exchange. An exchange differs from ordinary markets in that goods are not on view nor even necessarily owned by seller at time of sale. Only goods which are gradable and capable of being sold in large quantities are suited for sale on a produce exchange.

**PROTEST.** A formal statement in writing by a notary that a bill of exchange or a promissory note has been presented for payment, that the same has been refused, and that all parties to the instrument will be held responsible. The practice abroad is to send a dishonored bill to a notary on the day when payment was refused. The notary then again presents the bill to the drawee, or to the acceptor for acceptance or payment, as the case may be, and if it is again rejected the notary then notes the facts on the bill or a slip of paper which he signs and attaches to the bill. Subsequently the official certificate of protest is issued by the notary and attached to the dishonored bill. The next step is to notify all indorsers that the bill has been dishonored.

**SALVAGE.** Compensation allowed persons by whose voluntary exertions a vessel, her cargo, or the lives of those belonging to her are saved from danger or loss in case of wreck, capture, or other marine disaster. Termed legally "civil salvage" as distinguished from "military salvage" which is the rescue of property from the enemy.

**SEIGNORAGE.** The profit made by a government on the coining of bullion into money.

**SHIPPER'S MANIFEST—CUSTOM HOUSE CLEARANCE.** An instrument in writing containing a true account of the individual shipment or of the cargo of the ship. It must contain a list of all packages or separate items of freight with their distinguishing marks, numbers, value, etc. It should be made out in accordance with the official instructions at the custom house and sworn to by the

owner, shipper, or consignor in person, or by a duly authorized agent. A copy of the "clearance," as the manifest is sometimes called, should be given to the steamship company which files it with the ship's manifest at the custom house. One copy at least should be kept by the shipper himself.

**SHIPPING PERMIT.** Certificate issued by the steamship company through which foreign shipment is to be made. It indicates the place where and the dates when goods are to be delivered to the steamer.

**SHIPPING RECEIPT.** Receipt given by shipper to steamship company in exchange for bills of lading. Such companies as require them will usually supply forms.

**SHIP'S PROTEST.** Declaration under oath of a captain of a vessel, setting forth the circumstances under which damage to ship or cargo was suffered.

**SIGHT DRAFT WITH DOCUMENTS.** Irrevocable credit.

**SPECIAL PERMIT.** Receipt issued by steamship company on goods exported which are of special value, as jewelry. It is a receipt by virtue of which the shipping company assumes a special responsibility.

**TON.**

**CARGO.** 40 cu. ft.

**FREIGHT.** 40 cu. ft.

**LONG.** 2,000 lbs.

**MEASUREMENT.** 40 cu. ft.

**METRIC.** 2,204.62 lbs.

**REGISTER.** 100 cu. ft.

**SHIPPING.** 2,240 lbs. weight, or 40 cu. ft. measurement (50 on sailing vessels). Since a common quotation of rates by steamship companies is weight or measurement ton, whichever costs more, and since measurement ton for most goods nets the companies more, the measurement ton of 40 cubic feet, also called the freight or cargo ton, is the common shipping ton.

**TONNAGE.** Number of tons which the ship measures.

**DISPLACEMENT.** Weight in tons of the volume of water displaced by the ship when fully loaded.

**DEAD-WEIGHT.** Weight in tons of cargo that can be carried.

**GROSS REGISTERED.** Cubical capacity of ship in register tons.

**NET REGISTERED.** Cubical capacity available for carrying freight, stated in register tons.

**TRUST RECEIPT.** Acknowledgment by consignee who has imported under a letter of credit that the bank owns the goods, which he receives without paying cash. The more usual procedure under letters of credit is for the banker to retain possession of goods in his go-down until the consignee arranges a sale.

**UNDERWRITER.** One who underwrites, that is, signs, insurance contracts. The term refers to individuals rather than companies who engage in insurance. See also "Lloyds."

**W. A.** "With average," term used in insurance, same as "with particular average," and **A. A. R.** Used chiefly for textiles and delicate machinery. It requires a higher rate but damage need not reach a particular percentage before claim is allowed. It is therefore opposed to **F. P. A.**

**WARRANTY.** An undertaking by the insured that some particular thing shall or shall not be done, or that some condition shall be fulfilled.

**WITHOUT RECOURSE.** Responsibility disclaimed. The phrase means that the drawer or an indorser of a bill of exchange will not be liable to the subsequent holders of the bill in the event of its non-payment. These words must be followed by the signature of the drawer or the indorser of the bill, who will be held liable, however, if any signature prior to his own prove to be a forgery.

**ZOLLVEREIN.** The union for customs purposes of the separate German states. Not important after the formation of the German Empire in 1871.





# INDEX

## A

- Abandonment, 296
- Abyssinia
  - regulations for travelers, 341
- Advertising, 247-255
  - adapted to conditions, 248
  - as a follow-up, 188
  - channels for, 248-253
    - circularizing, 251
    - exhibits, 252
    - house organs, 249
    - local agencies, 252
    - local magazines and papers, 250
    - posters, 253
    - publications, 249
    - specialists, 250
  - distribution, as factor of, 54
  - information needed, 253
  - mail order, 243-245
  - methods of (See subhead above, "channels for")
  - place of, in sales plan, 188
  - preparation for foreign, 254
  - purpose of, 247
- Advertising expert
  - exporter's staff, 100
- Afghanistan
  - regulations for travelers, 341
- Africa
  - consular requirements, 390
  - shipping requirements, 390
- Agency, law of, 324
- Aids to foreign trade, 162
- All-American Association, 131
- American Asiatic Association, 131
- American Board of Foreign Trade, 164-168
  - activities of, 165
  - functions of, 167
  - organization of, important, 166
- American Chamber of Commerce for the Levant, 131
- American consulates, 438-442
- American embassies, 443
- American Exporters' and Importers' Association, 128, 129
- American manufacturing system, 267
- American Manufacturers' Export Association, 128, 129
- American-Polish Chamber of Commerce, 131
- American-Roumanian Chamber of Commerce, 131
- American-Russian Chamber of Commerce, 131
- Analysis charts, 454-462
- Antigua, regulations for travelers, 350-352
- Appraiser, 264
- Arabia
  - consular requirements, 391
  - regulations for travelers, 341
  - shipping requirements, 391
- Argentina
  - consular requirements, 391
  - credit customs, 404
  - regulations for travelers, 341-343
  - shipping requirements, 391
- Asiatic Association, 131
- Australia
  - consular requirements, 391
  - credit customs, 404
  - market for American exporter, 68
  - regulations for travelers, 344
  - shipping requirements, 391

**Austria**

- consular requirements, 392
- credit customs, 405
- regulations for travelers, 344
- shipping requirements, 392

**Austria-Hungary**

- commercial policy, 78

**Averages, 297****B****Bahamas, regulations for travelers, 350-352****Balance of trade, 40****Balkan States**

- consular requirements, 400
- credit customs, 407
- shipping requirements, 400

**Baltimore Chamber of Commerce, 130****Bank acceptance, 303, 307****Banker's draft, 303****Banking and finance, study of in foreign trade, 216****Bankruptcy laws, 320****Banks**

- abroad, established, 63
- assistance of, 162
- course in foreign trade, 217
- credit, 300, 310
- Federal Reserve Act, 313, 421-423
- international banking, 312
- machinery of foreign trade, 113
- source of information, 27

**Barbados, regulations for travelers, 350-352****Bastable**

- "Theory of International Trade," 58

**Bechuanaland, regulations for travelers, 350-352****Beira, regulations for travelers, 346****Belgian Congo, regulations for travelers, 347****Belgium**

- consular requirements, 392
- credit customs, 405

**governmental support of foreign trade, 161****regulations for travelers, 346****shipping requirements, 392****Bermuda, regulations for travelers, 350-352****Bibliography, 463****Bill of health, 261****Bill of lading, 262, 278, 284****Bills of exchange, 302****Board of Foreign Trade, American (See "American Board of Foreign Trade")****Boards of Trade, source of information, 27****Bolivia**

- consular requirements, 392
- credit customs, 405
- regulations for travelers, 348
- shipping requirements, 392

**Bond, shipping in, 290****Bonding, 263****Boston Chamber of Commerce, 130****Brazil**

- consular requirements, 392
- credit customs, 406
- regulations for travelers, 349
- shipping requirements, 392

**British Guiana, regulations for travelers, 350-352****British Honduras**

- credit customs, 406
- regulations for travelers, 350-352

**British possessions and protectorates**

- regulations for travelers, 350-352

**British South Africa, credit cus-**

- toms, 406

**British West Indies**

- credit customs, 406

**Broker**

- custom house, staff of importer, 108-109

- drawback, staff of importer, 109

- foreign exchange, 114

- marine insurance, 293

**Bulgaria**

- credit customs, 407
- regulations for travelers, 352

Bureau of Foreign and Domestic  
Commerce, 110, 338  
work of, 423-429  
Business technique, study of in  
foreign trade, 214  
Buyer, resident, staff of importer,  
108

**C**

Canada  
consular requirements, 393  
credit customs, 407  
regulations for travelers, 353  
shipping requirements, 393  
Capital, 8  
Ceylon, regulations for travelers,  
350-352  
Chamber of Commerce  
American-Polish, 131  
American-Roumanian, 131  
American-Russian, 131  
Baltimore, 130  
Boston, 130  
Cleveland, 130  
Detroit, 130  
French, 131  
Italian, 131  
Japan, 131  
Levant, for, 131  
Norwegian, 131  
Pacific Coast Associated, 130  
Pan-American, 131  
Pittsburgh, 130  
St. Louis, 130  
San Francisco, 130  
Spanish, 131  
Swedish, 131  
United States, 129, 130  
Chart  
investigation, 20, 454-462  
of demand, 34  
Chicago Association of Commerce,  
129, 130  
Chile  
consular requirements, 393  
credit customs, 407  
regulations for travelers, 354  
shipping requirements, 393

China  
consular requirements, 394  
credit customs, 407  
market for American exporter, 65  
regulations for travelers, 355  
shipping requirements, 394  
C. I. F., 325  
Civilizing influences, 45  
Clearance, 288  
Cleveland Chamber of Commerce,  
130  
Collections, (See also "Credit")  
credits and, 310-315  
machinery of foreign trade, 113  
Colombia  
consular requirements, 394  
credit customs, 408  
regulations for travelers, 355  
shipping requirements, 394  
Combinations  
abroad, 134  
industrial, 134  
Webb-Pomerene law, 143  
Commerce  
comparative needs and supplies,  
basis of, 41  
Commerce laws, foreign, 316-325  
agency, law of, 324  
bankruptcy laws, 320  
bookkeeping, compulsory, 320  
commercial codes, 317  
commercial paper, 322  
commercial travelers, 324  
elementary knowledge of, 316  
government supervision, 321  
information, source of, 325  
miscellaneous provisions, 319  
peculiar trade customs, 323  
registration, 318  
Commercial  
codes, 317  
geography, study of in foreign  
trade, 216  
law, study of in foreign trade, 215  
paper, 322  
policies  
ancient world, 71  
economic thought, develop-  
ment of, 70

**Commercial—continued**  
**policies—continued**

France, 77  
 Germany, 77  
 Great Britain, 77  
*laissez-faire*, 71  
 mercantilism, 70  
 protectionism, 72  
 protective tariff, 73  
 types of, 72  
 United States, 76  
 world powers, 70-79

**status,**

foreign market, 52

**travelers**

documents required by, 339  
 enemy (former) countries, relations with, 340  
 laws for, 324  
 license fees, 338  
 new republics, relations with, 340  
 railroad preferences, 340  
 season for campaigns, 340  
 regulations for, individual countries, 341-389  
 samples, admission and sale of, 339  
 taxes, 338  
 treaties concerning, 338

**Commission house, export (See "Export commission house")**

**Commission house, local**  
 staff of importer, 106

**Comparative costs**

application of, 41  
 conditions of, 41  
 definition of, 58  
 foreign trade result of differences in, 45  
 law of, 41

**Compradore, 43**

**Consular invoice, 284**

**Consular service**

function of, 119  
 government foreign trade machinery, 119

**Consular trade requirements, 390-403**

**Consuls**

American, abroad, 438-442  
 source of information, 24-27

**Co-operation**

future, in foreign trade, 137  
 value of, in foreign trade, 133-138  
 without combination, 136

**Co-operative**

export organization, 93  
 importer, staff of importer, 108  
 salesman, exporter's staff, 97  
 sales plan, 190

**Co-ordinating Committee on Foreign Trade**

function of, 123  
 government foreign trade machinery, 123

**Corea**

regulations for travelers, 356

**Correspondent**

exporter's staff, 95

**Costa Rica**

regulations for travelers, 356

**Course in foreign trade, 213-217**

banking and finance, 216  
 business technique, 214  
 commercial geography, 216  
 commercial law, 215  
 economics, 214  
 foreign trade machinery, 216  
 foreign trade strategy, 215  
 history, 216  
 languages, 214  
 practice, 217  
 psychology, 216  
 salesmanship, 215  
 technology, 216

**Court of Customs Appeals, 265**

**Credit**

bank, 300, 310  
 banking, international, 312  
 collections and, 310-315  
 discounting drafts, 310, 312  
 distribution, and, 60  
 Federal Reserve Act, 313  
 finance bills, 314  
 foreign customs, 404-414  
 information, 311

**Credit—continued**

- mail order, 245
- terms of sale, 12
- trust receipts, 314

**Cuba**

- consular requirements, 395
- credit customs, 408
- regulations for travelers, 357
- shipping requirements, 395

**Curacao**

- regulations for travelers, 357

**Currency equivalents, 447-450****Custom house broker**

- staff of importer, 108

**Custom house procedure, 286-290****Customs**

- credit, foreign, 404-414

**Cyprus**

- regulations for travelers, 350-352

**D****Declaration, 262****Demand**

- and supply in foreign market, 29-38

**chart of, 34****customer's, 267****how to study, 33****latent, 269****potential, 32****principles of, 29****qualitative test of, 31****quantitative test of, 31****reciprocal, 41****relation to selling campaign, 38****relation to supply, 34****tests of, 30****Denmark**

- consular requirements, 395

- credit customs, 408

- regulations for travelers, 357

- shipping requirements, 395

**Department of Commerce**

- function of, 120

- government foreign trade machinery, 120

**Deportment**

- importance of, 175

**Detroit Chamber of Commerce, 130****Development of foreign market, 171-180 (See also "Foreign market")****Diplomatic service**

- controlled by State Department, 118

- government foreign trade machinery, 118

**Director of foreign sales, 94****Distances to foreign ports, 445****Distribution**

- acquaintance an element of, 62

- advertising, 54

- banks abroad, 63

- channels of, domestic, 55

- chart, 55

- channels of, foreign, 56

- chart, 56

- credit and, 60

- factors of, 54

- maximum efforts, results of, 61

- minimum efforts, results of, 61

- mistaken methods of, 61

- prices and, 60

- principles of international, 54-63

- storage, 54

- transportation, 54

**Dock receipt, 284****Documentary drafts, 306**

- required by travelers, 339

**Domestic billing, 278****Dominica, regulations for travelers, 350-352****Dominican Republic**

- regulations for travelers, 358

**Drafts, 303**

- banker's, 303

- discounting, 310, 312

- documentary, 306

**Drawback, 288**

- text of law, 420

**Dumping, 59****Dutch East Indies**

- regulations for travelers, 358

**E****East Africa Protectorate, regulations for travelers, 350-352****Economic status, foreign market, 49**

- Economics, study of, course in foreign trade, 214
- Ecuador
  - consular requirements, 395
  - credit customs, 408
  - regulations for travelers, 359
  - shipping requirements, 395
- Education for foreign trade, 200-217
  - American methods, 203
  - status of, 204
  - course of study, 213-217 (See also "Course in foreign trade")
  - European methods, 200
  - haphazard methods, 207
  - natural qualifications, 206
  - opportunities for, 212
    - colleges and universities, 203
    - mail courses, 205
    - Y. M. C. A., 204-205, 212
  - practical, 202, 205
  - reason for many failures, 207
  - success, requisites for, 200
  - technical, 201
- Efficiency of organization (See "Organization")
- Egypt
  - consular requirements, 396
  - credit customs, 409
  - regulations for travelers, 359
  - shipping requirements, 396
- Embassies
  - American, 443
- England (See also "Great Britain")
  - government support of foreign trade, 161
  - market for American exporter, 64
  - regulations for travelers, 387
- Entry blanks, 262
- Equatorial Africa
  - regulations for travelers, 359
- Exchange
  - international, of commodities, 103
- Export
  - declaration, 286
  - importer for,
    - staff of importer, 107
  - invoices, 284
  - manufacturing for, 267-272
  - marking for, 276
  - office, as training school, 210
  - packing for, 273-276
  - payments, 299-309 (See also "Payment")
  - railroad transportation of, 277
  - shipper's declaration, 286
- Export agent, 92
- Export commission house, 90
  - buying agent, 91
  - differentiated from export merchant, 90
- Exporter
  - classes of, 89
    - co-operative export organization, 93
  - export agent, 92
  - export commission house, 90
  - export merchant, 92
  - producer for export, 90
- Exporter's staff, 89-100
  - advertising expert, 100
  - co-operative salesman, 97
  - correspondent, 95
  - director of foreign sales, 94
  - export manager, 93
  - foreign trade manager, 95
  - local selling agent, 98
  - manufacturer's representative, 95
  - shipping clerk, 98
  - traffic manager, 99
  - translators, 96
- Exporting
  - technicalities of, 273
- Export manager
  - exporter's staff, 93
- Export merchant, 92
- Export office
  - development of foreign market, 178
- Export organization, 148-160
  - advantages of, for staple articles, 149, 150
  - co-operative sales, 153-157
  - disadvantages of, for specialized articles, 148

**Export organization—*continued***  
 district sales company, 159  
 jointly controlled, 151-155  
 selling combine, 156-158  
 types of selling organization,  
 150-158  
 Webb-Pomerene law, 139-147  
 advantages afforded by, 151, 160  
 possible types, 143  
**Exports**  
 and imports  
 economic difference between,  
 104  
 legal difference, 104  
 relation to imports, 101  
 current fallacies, 101  
**Express, machinery of foreign**  
 trade, 112  
**Extract, custom house manifest,**  
 287

**F**

**Falkland Islands, regulations for**  
 travelers, 350-352  
**Federal Reserve Act, 313**  
 text of law, 421-423  
**Federal reserve bank, 124**  
 function of, 125  
**Federal Trade Commission**  
 function of, 122  
 government foreign trade ma-  
 chinery, 121  
 rules of practice, 433-437  
 Webb-Pomerene Law, 142  
**Federated Malay States, regula-**  
 tions for travelers, 350-352  
**Fiji, regulations for travelers, 350-**  
 352  
**Finance bills, 314**  
**Financial status, foreign market, 50**  
**Financing foreign shipments, 299-**  
 309 (See also "Payment")  
**Financing import shipments,**  
 methods of, 308  
**F. o. b., 325**  
**Follow-up methods, 186-189**  
**Foreign commerce laws (See**  
 "Commerce laws, foreign")  
**Foreign exchange**  
 broker, 114

values of foreign coins, 447-450  
**Foreign market**  
 attitude toward, 171  
 commercial status, 52  
 development of, 171-180  
 co-operative, 180  
 deportment, 175  
 expense, 177, 179  
 export office, 178  
 first steps, 171, 172  
 investigation procedure, 173  
 investigator, 173  
 letters of introduction, 174  
 obtaining data, 176  
 returns from, 179  
 time required, 177  
 economic status, 49  
 financial status, 50  
 governmental status, 48  
 political and legal functions, 48  
 international and domestic, 46  
 legal status, 48  
 political status, 46  
 social status, 51  
 status of, 46-53  
**Foreign sales plan, 181-191 (See**  
 also "Sales plan")  
**Foreign service**  
 adaptability for, 192  
 age, importance of, 197  
 aptitude for, 192  
 elements of success in, 192  
 experience, importance of, 197  
 personality, importance of, 195  
 right man in right place, 196  
 right man, selection of, 196  
 selecting men for, 192-199  
 special knowledge for, 194  
 economic and social conditions,  
 194  
 languages, 194  
 psychology of races, 194  
 special training for, 194  
 test of candidates for, 198  
**Foreign trade (See also "Machin-**  
 ery of foreign trade")  
 education for (See "Education  
 for foreign trade")

**Foreign trade—continued**

- future of, 80-85
  - economic co-operation, 82
  - individualism, 81
  - socialism, 80
  - sociological aspects, 84
  - standard of living, 81
  - United States, 82
- government machinery, 116-127
  - Department of Commerce, 120
- intermediaries in, 55
  - chart, 56
- manager, exporter's staff, 95
- promotion of, 75
  - kartels, 76
- publications, 111
- self-developing, 180
- specialists, 114
- State Department, 116
- Foreign Trade Advisers, work of, 429-433
- Foreign Trade Club of San Francisco, 130
- Forwarding agents, machinery of foreign trade, 113
- Fostock, 43
- France
  - commercial policy, 77
  - consular requirements, 396
  - credit customs, 409
  - governmental support of foreign trade, 161
  - market for American exporter, 65
  - regulations for travelers, 360
  - shipping requirements, 396
- Freight rates, 112, 281
- French Chamber of Commerce, 131
- Fundamental factors, 8-14
  - capital, 8
  - information, 8
  - methods of distribution, 9
  - organization, 10
  - policies, general, 13
  - terms of sale, 12

**G**

- Gambia, regulations for travelers, 350-352
- General average, 291, 297

**Germany**

- commercial policy, 77
- consular requirements, 396
- credit customs, 409
- government support of foreign trade, 161
- regulations for travelers, 360-362
- shipping requirements, 396
- Gibraltar, regulations for travelers, 350-352
- Glossary, 465-477
- Gold Coast
  - regulations for travelers, 350-352
- Government
  - aids to foreign trade, 83, 162
    - Bureau of Foreign and Domestic Commerce, 423-429
    - Federal Trade Commission, 433-437
    - Foreign Trade Advisers, 429-433
  - local, source of information, 27
  - machinery of foreign trade, 116-127
    - consular service, 119
    - Co-ordinating Committee on Foreign Trade, 123
    - Department of Commerce, 120
    - diplomatic service, 118
    - federal reserve bank, 124
    - Federal Trade Commission, 121
    - Shipping Board, 121
    - State Department, 116
    - Tariff Commission, 121
  - support of foreign trade, 161-168
    - American organization, form of, 164
    - American possibilities, 162
    - Belgium, 161
    - England, 161
    - France, 161
    - Germany, 161
    - Holland, 161
    - why needed, 163
  - trade investigation, 25
- Governmental statistics, 23
- Governmental status
  - foreign market, 48
  - political and legal functions, 48



Graduate School of Business Administration, Harvard University, 203

Great Britain (see also "England")  
commercial policy, 77  
consular requirements, 396  
credit customs, 414  
regulations for travelers, 387  
shipping requirements, 396

Greece  
consular requirements, 397  
credit customs, 410  
regulations for travelers, 362  
shipping requirements, 397

Greek Association, 131

Grenada, regulations for travelers, 350-352

Guaranty Trust Co., foreign trade bureau, 132

Guatemala  
consular regulations, 397  
credit customs, 410  
regulations for travelers, 362  
shipping regulations, 397

## H

Haiti  
consular regulations, 397  
credit customs, 410  
regulations for travelers, 363  
shipping regulations, 397

Harter Act, 295, 325

Hawaii, regulations for travelers, 364

History, study of in foreign trade, 216

Holland  
commercial policy, 78  
consular regulations, 397  
credit customs, 411  
governmental support of foreign trade, 161  
regulations for travelers, 373  
shipping regulations, 397

Hong Kong, regulations for travelers, 350-352

Honduras  
consular requirements, 398

credit customs, 410  
regulations for travelers, 364  
shipping regulations, 398  
Hungary, regulations for travelers, 364

## I

Importer, 101-110  
co-operative, 108  
for retail, 107  
improperly so-called, 106  
proper, 105  
staff of, 105  
broker, custom house, 108  
broker, drawback, 109  
commission house, local, 106  
co-operative importer, 108  
export-importer, 107  
importer proper, 105  
manufacturer, importing, 108  
resident buyer, 108  
wholesale distributor, local, 107  
warehouse, importance of, to, 109

Importers, classes of, 260

Importing  
bonding, 263  
classes of importers, 260  
domestic procedure, 262  
entry blanks, 262  
foreign preliminaries, 261  
methods of, 109  
storing, 263  
technicalities, 259-266  
undervaluation, 264

Imports

and exports  
economic differences, 104  
international exchange of commodities, 103  
legal difference, 104  
relation to exports, 101  
current fallacies, 101  
shipments, financing, 308  
utility of, 102

Indebtedness, international, 40

India  
credit customs, 410

- India—*continued*  
     market for American exporter, 68  
     regulations for travelers, 366  
 Indo-China  
     regulations for travelers, 367  
 Influences  
     civilizing, of trade, 45  
 Information  
     advertising, 253  
     books, 26  
     collection of, 17  
     commerce laws, foreign, 325  
     consular, 24  
     credit, 311  
     governmental statistics, 23  
     governmental trade investigation, 25  
     importance of, 8  
     miscellaneous sources, 24  
     pamphlets, 26  
     personally secured, 27  
     sources of, 23-28  
     trade meetings, 25  
     trade representatives' investigation, 26  
 Insurance (See also "Marine insurance")  
     machinery of foreign trade, 112  
 Intermediaries, foreign trade, 55  
     chart, 56  
 International  
     convention  
         patent laws, 331  
         trade-mark, 328  
     distribution, principles of, 54-63  
     indebtedness, 40  
     organizations, 130  
     sales manager, 191  
     salesman (See "Salesman, international")  
     trade, civilizing influences, 45  
     values, elementary principles of, 58  
 Investigation  
     charting results, 20  
     governmental trade, 25  
     on the ground, 17  
     psychology of market, 19  
     structure of market, 19  
     theoretical knowledge, 20  
     trade representatives, 26  
 Investigator  
     analysis charts, 453-462  
     development of foreign market, 173  
     expense of, 177  
     instruction sheet, 454  
     machinery of foreign trade, 114  
 Invoice, 262, 284  
 Ireland  
     credit customs, 414  
     regulations for travelers, 387  
 Italian Chamber of Commerce, 131  
 Italy  
     commercial policy, 78  
     consular requirements, 398  
     credit customs, 410  
     regulations for travelers, 367  
     shipping requirements, 398
- J**
- Jamaica  
     regulations for travelers, 350-352  
 Japan  
     Association for North America, 131  
     Chamber of Commerce, 131  
     commercial policy, 78  
     consular requirements, 398  
     credit customs, 411  
     regulations for travelers, 367  
     shipping requirements, 398  
 Jobber, wholesale  
     staff of importer, 107
- K**
- Kartels, 76, 135  
 Korea (See "Corea")
- L**
- Laissez-faire*, 71  
 Languages  
     course in foreign trade, 214  
 Latent demand, 269

Latin America  
 market for American exporter,  
 67  
 Legal status of foreign market, 48  
 Letters of introduction, 174  
 Levant, Chamber of Commerce for,  
 131  
 Liberia, regulations for travelers,  
 368  
 License fees, 338  
 Lloyds, 292  
 Local  
 organizations, 130  
 representative, mail order house,  
 246  
 selling agent, exporter's staff, 98

## M

Machinery of foreign trade  
 banks, 112  
 chief factors of, 111-115  
 collections, 113  
 consular service, 119  
 Co-ordinating Committee, 123  
 course in, 216  
 Department of Commerce, 120  
 diplomatic service, 118  
 express, 112  
 federal reserve bank, 124  
 Federal Trade Commission, 121  
 foreign exchange broker, 114  
 foreign trade specialist, 114  
 forwarding agents, 113  
 freight rates, 112  
 government, 116-127  
 insurance rates, 112  
 investigator, 114  
 parcel post, 112  
 publications, 111  
 Shipping Board, 122  
 State Department, 116  
 Tariff Commission, 123  
 Madagascar  
 regulations for travelers, 368  
 Mail order, 241-246  
 advertising, 243-245  
 credit, 245  
 dealer and the, 242

delivery by, 241  
 house  
 American, 241  
 dealer and the, 242  
 ordinary type of, 242  
 local representative, 246  
 service, 245  
 soliciting by, 241  
 Malay States, Federated, regula-  
 tions for travelers, 350-352  
 Malta, regulations for travelers,  
 350-352  
 Manifest, shipping, 282  
 Manufacturer, importing, 108  
 Manufacturer's representative, ex-  
 porter's staff, 95  
 Manufacturing  
 details of, 268  
 for export, 267-272  
 system in America, 267  
 Margraff, quoted on foreign ex-  
 change department of bank,  
 315  
 Marine insurance, 291-298  
 abandonment, 296  
 agents, 293  
 averages, 297  
 important features, 294  
 liability of steamship companies,  
 295  
 open policy, 297  
 origin of, 292  
 regulations, fundamental, 292  
 underwriters, 292  
 valued policy, 297  
 Market  
 best for American exporter, 64-69  
 China, 65  
 Latin America, 67  
 London, 64  
 Paris, 65  
 Russia, 66  
 foreign  
 commercial status, 52  
 development of (See "Foreign  
 market, development of")  
 economic status, 49  
 financial status, 50  
 governmental status, 48

**Market—continued**  
     foreign—*continued* \  
         political status, 46  
         social status, 51  
         status of, 46-53  
         “new,” defined, 65  
         psychology of, 43  
         structure of, 42  
**Marking, for export, 276**  
**Mauritius, regulations for travel-**  
     **ers, 350-352**  
**Men for foreign service, selection**  
     **of, 192-199 (See also “Foreign**  
     **service”)**  
**Mercantilism, 70**  
     fallacy of, 71  
**Merchants’ Association of New**  
     **York, 129, 130**  
**Methods of distribution, 9**  
**Mexico**  
     consular requirements, 398  
     credit customs, 411  
     regulations for travelers, 369-372  
     shipping requirements, 398  
**Montenegro, regulations for travel-**  
     **ers, 372**  
**Montserrat, regulations for travel-**  
     **ers, 350-352**  
**Morocco, regulations for travelers,**  
     **373**

## N

**National Association of Manufac-**  
     **turers, 129**  
**National City Bank, foreign trade**  
     **bureau, 132**  
**National Foreign Trade Council,**  
     **128**  
**National organizations, 128**  
**Navigation laws, 74**  
**Netherlands (See “Holland”)**  
**New countries**  
     consular requirements, 403  
     regulations for travelers, 340  
     shipping requirements, 403  
**Newfoundland, regulations for**  
     **travelers, 373**

**New Orleans Association of Com-**  
     **merce, 130**  
**New York**  
     distances from, to foreign ports,  
         445  
**New Zealand**  
     credit customs, 404  
     regulations for travelers, 374  
**Nicaragua**  
     consular requirements, 399  
     credit customs, 412  
     regulations for travelers, 374  
     shipping requirements, 399  
**Non-dumping certificates, 285**  
**North Borneo, regulations for**  
     **travelers, 350-352**  
**Northern Nigeria, regulations for**  
     **travelers, 350-352**  
**Norway**  
     consular requirements, 399  
     credit customs, 413  
     regulations for travelers, 375  
     shipping requirements, 399  
**Norwegian Chamber of Commerce,**  
     **131**  
**Nyasaland Protectorate, regula-**  
     **tions for travelers, 350-352**

## O

**Open policy, 298**  
**Organization, 10**  
     efficiency of, 218-224  
     form of, 219  
     manager, duty of, 222-224  
     policies of, general, 221  
     principles of, 218  
     salesmen, how to handle, 221,  
         223, 224  
     specialized effort, 220  
**Organizations**  
     international, 130  
     local, 130  
     national, 128  
     private, 132  
     public, three types of, 128  
**Overproduction, 35**

**P**

- Packing, 273-276**  
    general considerations, 274  
    instructions, general, 275  
    special considerations, 274
- Panama**  
    consular requirements, 399  
    regulations for travelers, 376  
    shipping requirements, 399
- Panama Canal Zone, regulations for travelers, 376**
- Pan-American Chamber of Commerce, 131**
- Pan-American Union, 130**
- Paraguay**  
    consular requirements, 399  
    credit customs, 412  
    regulations for travelers, 376  
    shipping requirements, 399
- Parcel post**  
    countries, list of, 444  
    machinery of foreign trade, 112
- Particular average, 297**
- Patent laws, 326-333**  
    importance of, 331  
    international convention, 331
- Payment**  
    bank acceptance, 307  
    bills of exchange, 302  
    cash with order, 299  
    draft, 303  
        bankers, 303  
        documentary, 306  
    methods of making, 299  
    negotiable instruments, 303  
    open accounts, 301  
    promissory note, 304  
    trade acceptance, 304
- Permanent representative, 28**
- Persia**  
    consular requirements, 400  
    regulations for travelers, 377  
    shipping requirements, 400
- Personality, importance of, 195**
- Personnel, men for foreign service, 192-199 (See also "Foreign service")**
- Peru**  
    consular requirements, 400  
    credit customs, 412  
    regulations for travelers, 377  
    shipping requirements, 400
- Philadelphia Association of Commerce, 130**
- Philadelphia Commercial Museum, 128, 129**
- Philippine Islands, regulations for travelers, 378**
- Pittsburgh**  
    Chamber of Commerce, 130  
    Foreign Trade Commission, 130
- Plans, formulation of, 21**
- Poland, regulations for travelers, 378**
- Policies**  
    open, 297, 298  
    valued, 297, 298
- Political status**  
    foreign market, 46  
    international and domestic, 46
- Pomerene (See "Webb-Pomerene Law")**
- Portugal**  
    consular requirements, 400  
    credit customs, 412  
    regulations for travelers, 379  
    shipping requirements, 400
- Practical course in foreign trade (See "Course in foreign trade")**
- Price**  
    and quality, 37, 271  
    distribution, and, 60  
    fixing the, 57
- Private organizations, 132**
- Producer, for export, 90**
- Promissory note, 304**
- Promotion of foreign trade organizations for, 128-132**
- Protectionism, 72**  
    zollverein, 72
- Protective tariff**  
    high, 73  
    low, 73  
    moderate, 73
- Psychology**  
    basic principles of, 39  
    course in foreign trade, 216

Psychology—*continued*  
 economic forces, 42  
 of the market, 19, 43  
     foreign, 39-45  
 political forces, 42  
 reciprocity, 44  
 social forces, 42

Publications

*Asia*, 131  
 channels of advertising, 248-253  
 foreign trade, 111  
*The Americas*, 132  
 Public organizations, three types, 128

Q

Quality, and price, 37, 271

R

Races, temperament, classification of, 51

*Rapprochement*, 237

Rates, shipping, 280

Reciprocal demands, 41

Reciprocity, psychology of, 44

Registration

commerce law, 318  
 trade-marks, 328  
     not subject to, 329  
     rules regarding, 329

Registry of deeds, 319

Reichsbank, 161, 164

Resident buyer, staff of importer, 108

Retail, importer for, 107

Rhodesia, regulations for travelers, 350-352

Roumania

consular requirements, 400  
 credit customs, 412  
 regulations for travelers, 379  
 shipping requirements, 400

Russia

commercial policy, 78  
 consular requirements, 400  
 credit customs, 412  
 market for American exporter, 66

regulations for travelers, 380  
 shipping requirements, 400

S

St. Helena, regulations for travelers, 350-352

St. Louis Chamber of Commerce, 130

St. Lucia, regulations for travelers, 350-352

St. Vincent, regulations for travelers, 350-352

Sales manager, international, 191

Salesman, international

aggressiveness, 232  
 approaching a prospect, 236  
 art of being, 239  
 closing a sale, 238  
 excuses, overcoming customer's, 234  
 expenses of, 177  
 keeping a customer, 235  
 methods of training, 200-217  
     (See also "Education for foreign trade")  
 offering suggestions, 235  
 opportunities for study, 203-205, 212  
 study on the ground, 217  
 suggestions for, 232-240  
 type of man, 232

Sales plan

advertising, 188  
 closing sales by mail order, 189  
 concentration, wide range of, 185  
 co-operative, 190  
 correlation with sales organization, 183  
 definition of, 181  
 elasticity of, 183  
 follow-up methods, 186-188  
 foreign, 181-191  
 information required, 182  
 international sales manager, 191  
 sources of information, local, 185  
 special features, 184  
 "Sales talk," not desirable in foreign fields, 207, 208

- Salvador**  
 consular requirements, 401  
 credit customs, 413  
 regulations for travelers, 380  
 shipping requirements, 401  
**Samples, admission and sale of,**  
 339  
**San Domingo**  
 consular requirements, 401  
 credit customs, 413  
 regulations for travelers, 381  
 shipping requirements, 401  
**San Francisco Chamber of Commerce,** 130  
**Scandinavia, commercial policy,** 78  
**School and shop method, education for foreign trade,** 211  
**Schools of Commerce,** 203  
**Selection of men, 192-199 (See also "Foreign service")**  
**Selling combine, 156-158**  
**Selling expense, means of reducing, 150**  
**Selling methods, 225-231**  
 adapting to country, 225  
 approach leisurely, 228  
 classes of, 229  
 competitor's methods, study of, 230  
 conforming to custom, 225  
 suited to conditions, 227  
**Selling organization, (See "Export organization")**  
**Serbia**  
 consular requirements, 401  
 shipping requirements, 401  
**Seychelles, regulations for travelers, 350-352**  
**Sherman Act, 139**  
**Shipping**  
 arrangements at port, 280-285  
 clearance, 288  
 clerk, 98  
 consular requirements, 284  
 drawback, 288  
 financing shipments, 299-309  
 handling freight, regulations for, 282  
 in bond, 290  
 "in care of," 283  
 insurance (See "Marine insurance")  
 interior, from, 287  
 liability of steamship companies, 295  
 permit, 283  
 rates, 281  
 regulations, foreign  
   individual countries (alphabetical list), 390-403  
 steamship company, choosing, 280  
 through agent, 287  
 "to order," 283  
**Shipping Board, 122**  
**Ship's papers, 262**  
**Siam**  
 credit customs, 413  
 regulations for travelers, 381  
**Sierra Leone, regulations for travelers, 350-352**  
**Social status, foreign market, 42, 51**  
**South Africa, market for American exporter, 68**  
**South America, commercial policies, 79**  
**Southern Nigeria, regulations for travelers, 350-352**  
**Spain**  
 commercial policy, 78  
 consular requirements, 401  
 credit customs, 413  
 regulations for travelers, 382  
 shipping requirements, 401  
**Spanish Chamber of Commerce, 131**  
**Specialized articles, sale of, 148, 149**  
**Standard Oil Companies, trust agreement, 133**  
**State Department**  
 diplomatic service, control of, 118  
 machinery of, 116  
**Status of foreign market, 46-53**  
**Storage, 263**  
 distribution as factor of, 54  
**Straits Settlements, regulations for travelers, 350-352**